United States Court of Appeals

for the Second Circuit

EXHIBITS

672 74-2542
ONLY COPY AVAILABLE

United States Court of Appeals

FOR THE SECOND CIRCUIT

B PS

Docket No. 72-1064

CHRIS-CRAFT INDUSTRIES, INC.,

Plaintiff-Appellant,

—against—

PIPER AIRCRAFT CORPORATION, HOWARD PIPER, THOMAS F. PIPER, WILLIAM T. PIPER, JR., BANGOR PUNTA CORPORATION, NICOLAS M. SALGO, DAVID W. WALLACE, THE FIRST BOSTON CORPORATION, PAUL L. MILLER and N. BAYARD,

Defendants-Appellees.

Docket No. 72-1120

BANGOR PUNTA CORPORATION,

Plaintiff-Appellant,

—against—

CHRIS-CRAFT INDUSTRIES, INC.,

Defendant-Appellee.

UNITED STATES COURT OF APPEALS
FILED
JAN 8 1975
SECOND CIRCUIT

Docket Nos. 72-1053 and 72-1140

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff-Appellant,

—against—

BANGOR PUNTA CORPORATION,

Defendant-Appellee.
(Cross-Appellant)

EXHIBITS ON APPEAL FROM FINAL JUDGMENTS OF UNITED STATES DISTRICT COURT FOR SOUTHERN DISTRICT OF NEW YORK VOLUME 1 (pp. 1-500)

Counsel of Record Are Listed on Inside of Front Cover

ONLY COPY AVAILABLE 12

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Securities and Exchange Commission
Washington, D.C. 20549

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PLAINTIFF'S

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.

2 id

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BANGOR PUNT

64 HARLOW STREET • BANGOR, MAINE 04

May 27, 1969

Mr. F. C. Dumaine, Jr.
President
Amoskeag Company
Prudential Center
Boston, Massachusetts 02199

Dear Buck:

I understand that you and I have agreed, subject to appropriate approval by the ICC, on the sale to Amoskeag of all Bangor and Aroostook Railroad stock owned by Bangor Punta on the following basis:

1. A sale price of $5,000,000., payable by delivery of all Bangor Punta $1.25 convertible preference stock now owned by Amoskeag (approximately 22,000 shares), plus Bangor Punta common stock sufficient to make up the difference to $5,000,000. The preference stock would be valued at market at the time of closing and the common would be valued at its actual cost to Amoskeag--or $5,000,000. in cash, at our option.

2. A fifty-fifty split between Amoskeag and Bangor Punta of any "windfall profits" accruing to Bangor and Aroostook Railroad through real estate or industrial developments in the Searsport area with particular reference to a proposed aluminum plant which would result in large scale commercial increments in profit or land development sales on Cape Jellison or Sears Island during the next five years, if such incremental "windfall profits" prove to be substantial and significant.

The Railroad has outstanding 179,810 shares of stock of which all but 2,354 are owned by Bangor Punta (about 98.7%). Of the remaining shares, 1200 are owned by one person and his wife; and the balance is owned by about 20 other people.

Although I have general authority from the Bangor Punta Board to make tentative exploration regarding the sale of the Railroad, any understanding between you and me is subject to the Board's approval. I expect you may want the same understanding regarding the Amoskeag Board.

I suggest, too, for employee moral purposes that no publicity be given to any tentative understanding between us until a definitive deal is ready to move ahead.

I will leave this letter with you with the thought in mind that if I do not hear from you within the next day or two that your understanding squares with mine.

Yours Sincerely,

Curtis M. Hutchins

3

CHRIS-CRAFT EX 65-10
HF 3-9-70

Hutchins Exhibit
6/17/70 ft

June 16, 1969

MEMO

Telephone conversation between myself and Curtis Hutchins today.

Curtis Hutchins said we definitely have a deal - they are in registration - he hopes to be out of registration in ten days - of course, that is questionable.

He was informed by his lawyers that a definite commitment should not be made within two months of registration.

We agreed that in the meantime I should go over the railroad with whomever I want to see the overall condition of the property and to meet the staff so that I will be prepared to select a staff on consummation date, if and when we have a consummation date.

Exhibit No. 2
June 8, 1970

4

PLAINTIFF'S

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.

6

CURTIS M. HUTCHINS
BANGOR, MAINE

September 2, 1[illegible]

Dear Buck:

Herewith an internal confidential memorandum I wrote on August 21 on the then status of explorations of the tax consequences of three proposed methods of sale of the Railroad property.

I am also appending a draft of what might be a proposal to Old Colony which was sent to them last week.

We can discuss all three of these areas in Boston on Thursday.

Sincerely,

Curtis

Mr. F. C. Dumaine, Jr.
Amoskeag Company
Suite 4585
Prudential Center
Boston, Massachusetts 02199

Enclosures

PLAINTIFF'S EXHIBIT 7

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D... R.VER COMPANY

BANGOR, MAINE 0440[illegible] DATE August 21, 1969

Curtis M. Hutchins

Status of Bangor and Aroostook Tax Study.

In pursuing the facts connected with the tax consequences of the three proposed methods of sale, the following efforts are underway:

1. Sale of Stock

Study of benefits to parent because of consolidated returns which might have effect on raising tax cost basis of railroad stock and thereby reducing apparent tax loss on sale of stock (approximately $1,500,000).

2. Sale of Assets Problem: Tax Cost basis of roadway property

Inside accountants presently estimate $15.8 million. After deducting debt ($9.9 million) and portion of sale price ($1.8 million) a tax loss approximates $4.1 million, (not $17.7 million as originally thought). Reason: Difference between ICC book value and original cost. ICC valued property in 1916 for tariff purposes (on then replacement value) and hopefully can resurrect cost figures on that date. We must have hard cost figures to prove loss to IRS and are in touch with ICC for this cost data.

3. Sale of Equipment and Lease Roadway (or vice versa)

Problem is obtaining of consent by Bondholders (both first mortgage - 66 2/3 and notes 100%) Skeleton draft of what might be a proposal to go to Old Colony as holder of both bonds and notes, shortly.

PLAINTIFF'S

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EXHIBIT
U. S. Dist. Court
S. D. of N. Y.

8

CURTIS M. HUTCHINS
BANGOR, MAINE

September 3, 1969

Attention: Thomas Casey

Dear Tom:

The Railroad needs to finance fifty mechanical refrigerator cars to be delivered in March 1970 costing about $1.6 million plus one hundred box cars to be delivered in late January or early February costing $1.755 million--a total of $3.55 million.

Shearson, Hammill has offered the Railroad a 100% conditional sales financing arrangement at 3/4 over prime--9 1/4%--the Railroad to keep the investment credit on the refers, there being no investment credit on the boxes.

We have used Morgan Guaranty as consultant. They recommend the acceptance of this arrangement with the money to be drawn down as needed in January and March.

It occurred to us that Amoskeag may wish to make its own arrangements rather than to have us proceed with Shearson, Hammill. This, too, we can talk about on Thursday.

Sincerely,

Curtis

Mr. F. C. Dumaine, Jr.
Amoskeag
Suite 4585
Prudential Center
Boston, Massachusetts

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.
15 id

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September 4, 1969

TO: F. C. D., Jr.

FROM: T. H. CASEY

Curtis Hutchins called Tuesday to inform me that he was sendin: down for our review the attached memorandum regarding the Status of BAR Tax Study and a copy of a letter to the Old Colony referred to in item 3 of the memorandum.

He came to the office this morning and met with Dudley and I and discussed briefly the proposed methods of sale of B.A.R. He wanted to let you know that he feels the Sale of Stock is the best and easiest way for us to acquire the property and that he is working on our behalf with the Punta Board. However, Salgo wants the other methods of sale fully explored. (Hutchins wants this transaction cleaned up before he goes to Europe on October 4).

I pointed out that if we could acquire the property on October 1 it would be an ideal cut off point since it is the end of their (BF) fiscal year and we would consolidate for tax purposes beginning with the last quarter of 1969. It would also eliminate the necessity of additional auditing work being done in connection with the transaction. I also mentioned that a purchase of stock would be advantageous from Amoskeag's point of view since it would give us a majority owned subsidiary, thereby enabling us to get out from under the Investment Company Act in due course and become an operating company.

He also left a letter regarding the financing of refrigerator cars and box cars which he would like an answer to on Monday of next week.

TH

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.

16 id

8

Confidential memorandum prepared by counsel for possible use in litigation

TO: F. C. DUMAINE, JR.

Attached is a proposed contract submitted to Messrs. Cole & Deitz by Bangor Punta Corporation which contract requires Amoskeag to pay Bangor Punta $5,000,000 for which it will receive, at Bangor Punta's option, either the stock of Bangor and Aroostook owned by Bangor Punta or the assets of the Railroad. Without reaching the defects in the draft, Messrs. Cole, Sullivan and Davidson are of the opinion that the acquisition of assets would be disadvantageous to Amoskeag at this time for the following reasons:

1. A stock purchase will give to Amoskeag a potential tax advantage in that it is acquiring assets at less than the tax bases. This advantage is lost in an assets purchase.

2. In case of an assets purchase, the transaction will be subject to I.C.C. approval. This will be time

consuming, expensive and will undoubtedly result in labor obtaining special protection which would make it more difficult to accomplish the efficiencies Dumaine's management could produce. The public hearing would also lay open the officers of Amoskeag to searching cross examination concerning Amoskeag plans for the Railroad. This might lead to premature disclosure of Amoskeag files reflecting Mr. Dumaine's plans for a New England system.

3. In addition to the expensive I.C.C. procedures, the asset purchase approach will substantially increase costs for accountants and attorneys. An asset purchase would also require substantial title research and recordation work. Each conveyance, contract, lease or any other agreement which the Railroad has must be reviewed to determine whether it is in full force and effect and whether it is assignable. If not assignable, consents from the other parties must be obtained. Amoskeag accountants would have to review with Bangor Punta accountants the financial statements of the Railroad and reach various determinations as to tax aspects of the transaction. Employee benefit plans heretofore approved by the I.R.S. would have to be resubmitted.

4. It should be here noted, other parties to contracts with Bangor and Aroostook may utilize an assignment as a device to escape agreements if the agreement has provisions favorable to Bangor and Aroostook.

5. If Amoskeag wishes Passaconaway to be a holding company, Amoskeag will have to assume incorporation costs of the new corporation to operate the Railroad. Further, whatever adantages may exist under the Railroad's Special Charter of 1891 will be lost. Bangor Punta has proposed as a condition of the asset purchase that Amoskeag assume all of the liabilities, known and unknown, of Bangor and Aroostook.

6. The Stock Purchase Agreement drafted by counsel for Amoskeag and submitted to Bangor Punta, with certain minor revisions so far as Amoskeag counsel is concerned, could be signed with no difficulty prior to September 30. The alternative type of contract Bangor Punta proposes, would have to be drawn in great detail (and additional expense) in order to protect Amoskeag. While it is possible that such an agreement could be drawn, reviewed by the principals and their counsel and signed prior to Septmeber 30, the many areas which will have to be covered would make it extremely difficult.

S. D. of N. Y.

— from Wendell Barnes 9/27 — 17

R & A ACQUISITION - VIA ASSETS OR STOCK PURCHASE ?

Acquisition via assets:

(1) Requires X% of all the various classes of bond holders assents? (Mortgage, Income Notes, Equipment Trusts and Conditional Sales Contracts); Easy or difficult to obtain? How quickly?

(2) Requires ICC and/or other State regulatory bodies approval? Is there any previous case history of such procedures and, if so, was the record of all approvals or some disapprovals; Time required?

(3) Do all assets to be acquired need to be listed and tabulated and valued; if to be valued, by whom; need this person be a recognized authority on valuation work and what time would be consumed in such a job?

(4) How would "assets" valuation be set up, for IRS purposes and/or for ICC purposes and would there be any eventual chance of Passaconaway Corporation or Amoskeag Company being able to establish a future tax loss?

(5) By whom and how are assets to be policed -- to see that they are not "lost sight of"?

(6) How are individual "pieces" of railroad company -- such as roadway, with its ties, track, bridges, trestle and culverts, its locomotives, freight cars and work equipment, the operating department, the accounting department and the financial department be put back together into a new cohesive unit so that some form of comparability of reports on revenues, expenses and net earnings be assembled and reported as formally, and a dividend to the new owners be made possible?

In other words, how can "pieces" be put back together,

so that a compact understanding, as presently, be rendered to the new owners, as concerns operating results?

(7) What difficulty would exist in the future, were another "company" (as distinguished from another "assets" situation) to be acquired for the purpose of a merger? The same question in case another acquisition of an additional property be made via purchase of "assets" rather than on company basis?

0

As against all of these questions and imponderables how simple it would be to simply make the acquisition of B & A solely on the basis of the purchase of the company "as is" and its stock?

S. D. of N. Y.

HF 3-9-70

11

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BANGOR PUNTA CORPORATION

84 HARLOW STREET • BANGOR, MAINE 04401 • TELEPHONE AREA CODE 207 • 945-5011

September 15, 1969

Mr. F. C. Dumaine, Jr.
President
Amoskeag Company
Suite 4585
Prudential Center
Boston, Massachusetts 02199

Dear Buck:

In working toward the closing of the sale to Amoskeag of the Bangor and Aroostook Railroad, Bangor Punta has not yet reached a decision as to whether it would be most advantageous to sell our stock in the Bangor and Aroostook Railroad Company or to sell the property in the form of assets. To preserve to us the option pending further investigation, we propose:

To work out with your people an agreement to sell the property either in stock, and if stock, either for cash or for shares of Bangor Punta) or as a sale of assets. In either case, we would like to preserve the option of taking cash or shares of Bangor Punta.

This agreement would become effective on either September 30 or October 1 with you to take control of the property on either of those dates.

We would agree to make delivery of either the stock or the assets by December 31 of this year. Since this agreement will be a firm commitment on our part to sell the property to you, I am assuming that you would match that commitment with a deposit of the purchase price in escrow pending the year-end closing.

We find it may well be advantageous to you to accept assets rather than stock depending on the results of our accounting studies in which I assume your people might like to participate.

The December 31 final closing will give us time to develop dependable figures as well as to allow you and your accountants to satisfy Amoskeag that you are getting the property as it has been represented to you. Consequently, we would want you to satisfy yourself by that date that you are receiving the Railroad as a going concern, as represented, so that any guarantees on our part would not go beyond this final closing.

I would hope that our lawyers and yours could work out this selling agreement before you leave on Friday, September 19, so that we might consider a joint announcement of the sale on that date. It seems to us that we both have an obligation to make disclosure as soon as we can.

To: F. C. Dumaine, Jr.

September 15, 1969
Page Two

The agreement will include, as per my letter of May 27, the parameters and description of the fifty-fifty split between us of any windfall profits over the next five years in connection with Searsport and the Sears Island-Cape Jellison area.

That letter indicated, which I know you understand, our ownership of Railroad stock as 98.7% of the total.

Very truly yours,

Curtis

— Curtis M. Hutchins

CMH:Bec

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.

19

13

LAW OFFICES
GREENFIELD, DAVIDSON & MANDELSTAMM
1818 CHEMICAL BUILDING
721 OLIVE STREET
ST. LOUIS, MISSOURI 63101

MILTON GREENFIELD, JR.
JOHN L. DAVIDSON, JR.
JEROME H. MANDELSTAMM

AREA CODE 314
CENTRAL 7-4115

September 19, 1969

Amoskeag Company
Suite 4500
Prudential Center
Boston, Massachusetts 02199

Attention: Mr. F. C. Dumaine, Jr.

Gentlemen:

This confirms our previous advice orally given. You have asked our opinion as to whether or not Amoskeag Company could, without prior approval of the Interstate Commerce Commission and without violating the Interstate Commerce Act, acquire 98.7% of the stock of Bangor & Aroostook Railroad Company. Amoskeag is not a carrier within the meaning of the Interstate Commerce Act.

At the present time, Amoskeag owns approximately 27% of the voting stock of Maine Central Railroad Company. No officer or director of Amoskeag or of any subsidiary thereof, holds any position as a director or officer of Maine Central Railroad Company. Except to the extent that Amoskeag's stock in Maine Central might at some future date give it control over the railroad or veto power over corporate action by the railroad, Amoskeag does not control Maine Central.

You have provided us with a report by Bangor and Aroostook to the Interstate Commerce Commission for the year ending December 31, 1968 on that Commission's Form A. You also have submitted to us a proposed Independent Voting Trust Agreement between Amoskeag Company and Irving Trust Company of New York. We have examined those data from Form A and this Independent Voting Trust Agreement.

13A

Assuming, without conceding, that Amoskeag's ownership unrestricted by any agreement gave it control of Maine Central, we are of the opinion that by executing the proposed Independent Voting Trust Agreement with an independent trustee (such agreement to be substantially in the form submitted to us) Amoskeag would thereby divest itself of such control, if any, as it may have over Maine Central. Having thus isolated itself from even the possibility of control of Maine Central, Amoskeag could thereafter acquire stock control of Bangor & Aroostook without such acquisition being in violation of the Interstate Commerce Act.

Therefore, we are of the opinion that upon the execution of such an agreement, Amoskeag may acquire the stock it proposes to buy in Bangor & Aroostook Company.

Very truly yours,

GREENFIELD, DAVIDSON & MANDELSTAMM

By J. L. Davidson, Jr.

JLD:dd

cc: Messrs. Cole & Deitz
40 Wall Street
New York, New York 10005

PLAINTIFF'S EXHIBIT 20

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RECD. F. R. D.

FEB 10 1971

AMOSKEAG COMPANY

Report to Stockholders

Year Ended December 31, 1969

DIRECTORS

JOHN I. AHERN
G. EDWARD BROOKING, JR.
HAROLD M. COLE
F. C. DUMAINE
JOHN L. GARDNER
ALBERT B. HUNT
RALPH LOWELL
HAROLD E. MELZAR
WILLIAM B. SNOW
DAVID B. STONE
ROBERT G. STONE
FRANK J. SULLOWAY

AMOSKEAG COMPANY

Suite 4500

Prudential Center

Boston, Massachusetts 02199

To the Stockholders:

Submitted herewith are the financial statements for the year ended December 31, 1969, together with information as to investments and the report of Arthur Young & Company, certified public accountants.

Please read the notes to financial statements on pages 8-9.

As stated in our report for the six months ended June 30, 1969 the Company accepted 195,135 shares of its common stock which were tendered in exchange for a package of portfolio securities and cash.

Mr. Robert G. Stone resigned as a Director effective December 31, 1969. Mr. Stone had been a Director and Trustee of the Company and its predecessor since 1927. The Directors are deeply grateful for his advice and dedicated service. His resignation will be a great loss to the Company and its stockholders.

Mr. David B. Stone and Mr. John L. Gardner resigned as Directors effective December 31, 1969, having tendered substantially all of their stock in the Company.

Mr. G. Edward Brooking, Jr. resigned as an Officer and Director effective December 31, 1969 to devote all his time to his responsibilities as chief executive officer of Fanny Farmer Candy Shops, Inc.

The Company deposited on September 23, 1969 all its shares of Maine Central Railroad Company Common Stock representing 26.15% of the outstanding voting securities, with Irving Trust Company (New York) as trustee under an Independent Voting Trust Agreement.

The valuation of the Company's investment in Maine Central Railroad Company Common Stock represented by Voting Trust Certificates was determined by the Board of Directors in light of the recent Securities and Exchange Commission Investment Company Act Release relating to ownership of restricted securities, and after reviewing independent valuations which were made at the request of the Company.

Since October 2, 1969 the Company has acquired 178,510 shares of the common stock of Bangor and Aroostock Railroad Company representing 99.28% of the railroad's voting securities for $5,029,409.

The Company may purchase out of available funds shares of its Common Stock and Debentures which may be offered at such prices and in such amounts as may be deemed advantageous to the Company by the Board of Directors. Under the applicable rules of the Securities and Exchange Commission the Company may not purchase its securities from persons known to it to be "affiliated persons" without prior approval by the Commission.

By Order of the Board of Directors.

F. C. DUMAINE
President

February 11, 1970

BALANCE SHEET — DECEMBER 31, 1969 AND 1968

ASSETS

	1969	1968
Cash	$ 719,418	$ 768,492
Savings deposits	50,000	213,279
Accrued dividends and interest receivable	210,219	102,378
Accounts and notes receivable	83,622	72,515
Investments at cost (Notes 1 & 2 — Page 8):		
Investments in subsidiaries and affiliated companies (Market values, 1969 — $51,921,766; 1968 — $79,765,723)	23,019,181	21,849,100
Investments in unaffiliated companies (Market values, 1969 — $18,894,617; 1968 — $31,503,286)	12,571,290	13,160,415
Prepaid expenses and other assets	191,761	128,164
	$36,845,491	$36,294,343

LIABILITIES AND CAPITAL

Liabilities:		
Federal income taxes	$ 833,185	$ 344,209
Accounts payable and accrued liabilities	73,088	73,082
5% Ten-year debentures due January 1, 1976 (Note 3 — Page 9)	1,986,400	2,009,400
Total liabilities	2,892,673	2,426,691
Common stock (without par value) and surplus:		
Common stock — 1,100,000 shares authorized; 1,036,800 shares issued	8,384,192	8,384,192
Undistributed net income	6,589,926	6,269,257
Accumulated net realized gain on investments	23,149,963	20,106,438
	38,124,081	34,759,887
Less cost of shares reacquired and held in treasury since January 1, 1966 (215,759 shares at December 31, 1969; 20,624 shares at December 31, 1968)	4,171,263	892,235
Total common stock and surplus	33,952,818	33,867,652
	$36,845,491	$36,294,343

See accompanying notes.

STATEMENT OF INCOME, REALIZED GAINS ON INVESTMENTS AND CHANGES IN COMMON STOCK AND SURPLUS

Years Ended December 31, 1969 and 1968

	1969	1968
Income from investments:		
Dividends:		
Subsidiaries and affiliated companies (Note 2 — Page 8)	$ 2,074,544	$ 2,288,519
Unaffiliated companies	912,296	998,969
	2,986,840	3,287,488
Interest:		
Subsidiaries and affiliated companies (Note 2 — Page 8)	8,920	9,297
Unaffiliated companies	581,520	119,878
	590,440	129,175
	3,577,280	3,416,663
Expenses:		
Salaries — officers	155,120	151,649
Salaries — other	29,521	34,005
Directors' fees	31,900	40,300
Professional services	139,605	172,223
Debenture interest expense	99,751	101,722
Contribution to employees' retirement program	30,000	25,000
Other expenses	155,561	96,891
	641,458	621,790
	2,935,822	2,794,873
Income taxes:		
Federal	—	—
State	39,000	33,500
	39,000	33,500
Net income (excluding net realized gain on investments)	2,896,822	2,761,373
Earnings per common share, 1969 — $3.09; 1968 — $2.72		
Net realized gain on investments before federal and state income taxes	4,295,525	1,565,344
Federal and state income taxes applicable to realized gains	1,252,000	464,300
Net realized gain on investments	3,043,525	1,101,044
Common stock and surplus beginning of period	33,867,652	32,859,809
	39,807,999	36,722,226
Cost of shares of common stock reacquired and held in treasury (195,135 shares in 1969; 1,845 shares in 1968)	(3,279,028)	(109,054)
Dividends paid, 1969 — $2.90 per share; 1968 — $2.70 per share	(2,576,153)	(2,745,520)
Common stock and surplus end of period	$33,952,818	$33,867,652

See accompanying notes.

INVESTMENTS DECEMBER 31, 1969

(Notes 1 & 2)

SECURITIES OF SUBSIDIARIES AND AFFILIATED COMPANIES

		Cost		Market Values	
		Unit Value	Total	Unit Value	Total
178,510 shs.	Bangor and Aroostook Railroad Company	28.17	$ 5,029,409	28.17	$ 5,029,409
18,750 shs.	Computek, Inc.	13.34	250,125	13 34	250,125
140,200 shs.	Fanny Farmer Candy Shops, Inc.	31.64	4,435,534	21¼ (A)	2,979,250
1,388,000 shs.	Fielderest Mills, Inc.	5.41	7,508,166	28¾ (A)	39,905,000
120,000 shs.	Intercomputer Corporation	2.50	300,000	2.50	300,000
35,186 shs.	Maine Central Railroad Company common stock represented by Voting Trust Certificates (Note 2(A) — Page 8	101.54	3,572,907	30	1,055,580
$ 168,750 par	Maine Central Railroad Company 5¼% income note due 2/1/96	100.00	168,750	48	81,000
3,010 shs.	Moore's Falls Corporation	—	1	—	1
4,667 shs.	Springfield Street Railway Company	16.45	76,779	113.06	527,651
1,400 shs.	Westville Homes Corporation-common stock, Class A	321.43	450,000	321.43	450,000
$1,200,000 par	Westville Homes Corporation note due 9/15/84	100.00	1,200,000	100.00	1,200,000
7,220 shs.	Worcester Bus Company, Inc.	3.81	27,510	19.91	143,750
	TOTAL SUBSIDIARIES AND AFFILIATED COMPANIES		$23,019,181		$51,921,766

SECURITIES OF UNAFFILIATED COMPANIES

	Short Term Securities	Market Values	
		Unit Value	Total
$ 300,000 par	Crown Cork & Seal Company, Inc. 8⅝% Note due 3/10/70	97.63	$ 292,884
600,000 par	Crown Cork & Seal Company, Inc. 9% Note due 3/10/70	98.08	588,450
300,000 par	Crown Finance Corp. 9⅛% Note due 3/20/70	98.00	293,993
1,000,000 par	Federal Home Loan Banks 6.75% Note due 1/26/70	99.84	998,438
110,000 par	Federal Home Loan Banks 7% Note due 2/25/70	99.72	109,691
1,100,000 par	Federal Intermediate Credit Banks 6.9% Deb. due 2/2/70	99.81	1,097,938
95,000 par	Federal Intermediate Credit Banks 7.1% Deb. due 3/2/70	99.72	94,733
1,050,000 par	Federal Intermediate Credit Banks 7.9% Deb. due 4/1/70	99.78	1,047,703
1,000,000 par	Federal National Mortgage Association 6.35% Participation Certificate due 2/11/70	99.78	997,813
200,000 par	Interstate Securities Company 8⅝% Note due 3/10/70	97.57	195,136
100,000 par	Liberty Loan Corporation 8½% Note due 1/15/70	98.44	98,442
			$ 5,815,221

(A) Valued on the basis of market quotations

See accompanying notes.

INVESTMENTS DECEMBER 31, 1969 — Continued

(Notes 1 & 2)

SECURITIES OF UNAFFILIATED COMPANIES

		Market Value		
	Common and Preferred Stocks	Unit Value		Total
	BANKS, FINANCE, INSURANCE, & INVESTMENTS			
22,076 shs.	Baystate Corporation — common	41¾	$ 921,673	
10,000 shs.	Employers' Group Associates	57	570,000	
7,000 shs.	Shawmut Association	53¾	376,250	
10,000 shs.	State Street Bank and Trust Company	43	430,000	
47,000 shs.	United Corporation	11	517,000	
150 shs.	Union Bank of Switzerland	1,009.80	151,470	$ 2,966,393
	BUILDING			
30,000 shs.	National Lead Company	25¼		757,500
	CONSUMER GOODS & SERVICES			
17,000 shs.	International Industries, Inc. Series A $1.70 Cumulative Convertible Preference Stock	54¼		922,250
	ELECTRICAL EQUIPMENT & ELECTRONICS			
3,000 shs.	General Electric Company	77½		232,500
	MACHINERY			
10,000 shs.	Caterpillar Tractor Company	42½		425,000
	METALS & MINING			
24,000 shs.	American Smelting & Refining Company	32⅜	777,000	
18,750 shs.	International Nickel Company of Canada, Ltd.	43½	815,625	1,592,625
	MISCELLANEOUS			
22,500 shs.	Bangor Punta Corporation — $1.25 Convertible Preference Stock	19¾	444,375	
7,591 shs.	Boston Herald Traveler Corporation	28	212,548	
1,900 shs.	Lykes — Youngstown Corporation $2.50 Series A Cumulative Convertible Preferred Stock	32¼	61,275	718,198

See accompanying notes.

INVESTMENTS DECEMBER 31, 1969 — Continued

(Notes 1 & 2)

SECURITIES OF UNAFFILIATED COMPANIES

		Market Value		
		Unit Value		Total
	NATURAL GAS			
30,000 shs.	El Paso Natural Gas Company — common	17⅛		513,750
	OILS			
6,660 shs.	Continental Oil Company — common	26½	176,490	
30,000 shs.	Gulf Oil Corporation	31	930,000	
1,038 shs.	Louisiana Land & Exploration Company	47½	49,305	
6,630 shs.	Occidental Petroleum Corporation — $4 conv. preferred	73	483,990	
5,138 shs.	Standard Oil Company of California	51⅛	262,680	
7,583 shs.	Standard Oil Company (New Jersey)	61¾	468,250	2,370,715
	PAPER & CONTAINERS			
3,600 shs.	Continental Can Company — common	72⅛	259,650	
10,000 shs.	International Paper Company — common	37⅛	371,250	
11,840 shs.	St. Regis Paper Company	34¾	411,440	1,042,340
	RAILROADS & RAILROAD HOLDING COMPANIES			
5,000 shs.	Canadian Pacific Railway Company — ordinary	73½	367,500	
5,000 sh	Union Pacific Corporation	45⅜	226,875	594,375
	UTILITIES (ELECTRIC)			
30,000 shs.	Niagara Mohawk Power Corporation — common	16⅛	483,750	
40,000 shs.	Southwestern Public Service Company — common	11½	460,000	943,750
	TOTAL UNAFFILIATED COMPANIES			$18,894,617

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Valuation of Investments:

Investments held by the Company are stated at cost in the accompanying financial statements. Market values, whether of subsidiaries and affiliated companies, except for Maine Central Railroad Company, or of unaffiliated companies for which market quotations are readily available are based on closing sale or bid prices. Valuations of other securities, including Maine Central Railroad Company, are at their fair value as determined by your Board of Directors.

No provision has been made for the Federal and State income taxes on the net gains which would accrue if the securities could be disposed of at such market values. The net asset value per common share before providing for estimated taxes on unrealized gains was $84.26 at December 31, 1969 and $108.37 at December 31, 1968. The estimated taxes on unrealized gains would have aggregated approximately $10,223,000 at December 31, 1969 and $21,870,000 at December 31, 1968. After valuing the investments based on the indicated market values stated above and providing for the estimated taxes on the unrealized gains, the net asset value per common share was $71.81 at December 31, 1969 and $86.85 at December 31, 1968.

The opinion of your Board of Directors is that such indicated market values are not necessarily a criterion of the amounts that might be realized upon disposition.

NOTE 2. Investments in subsidiaries and affiliates:

The following table sets forth information pertaining to investments in subsidiaries and affiliates.

	Per cent of ownership	Equity in net assets (1)(2)	Equity in net income (loss) (1)(3)	Dividends and interest received 1969	Excess of equity in net income (loss) over dividends and interest received
Bangor and Aroostook Railroad Company	99.28%	$28,972,173	$(215,200)	$ —	$(215,200)
Computek, Inc.	9.33%	38,063	(34,487)	—	(34,487)
Fanny Farmer Candy Shops, Inc.	33.85%	3,406,860	250,251	126,180	124,071
Fieldcrest Mills, Inc.	39.30%	29,036,960	2,838,639	1,926,050	912,589
Intercomputer Corporation	13.52%	140,400	(2,960)	—	(2,960)
Maine Central Railroad Company(A)	26.15%	9,047,728	(251,838)	8,956	(260,794)
Springfield Street Railway Company	55.68%	527,651	(35,634)	18,668	(54,302)
Westville Homes Corporation	70.00%	300,930	(14,497)	—	(14,497)
Worcester Bus Company, Inc.	21.15%	143,750	7,455	3,610	3,845
Totals		$71,614,515	$2,541,729	$2,083,464	$ 458,265

(A) On September 23, 1969 Amoskeag Company entered into an Independent Voting Trust Agreement with Irving Trust Company (New York) as trustee. Amoskeag has deposited all shares of Maine Central Railroad Company common stock held by it with said trustee to be held and administered by said trustee pursuant to said agreement.

Unaudited:

(1) Based on ownership at December 31, 1969.

(2) As of November 30, 1969 except for Computek, Inc. which is as of October 31, 1969, and for Bangor and Aroostook Railroad Company, Fanny Farmer Candy Shops, Inc., Intercomputer Corporation and Westville Homes Corporation which are as of December 31, 1969.

(3) For eleven months ended November 30, 1969, except for Bangor and Aroostook Railroad Company which is from date of acquisition October 2, 1969 to December 31, 1969, Computek, Inc. which is for the year ended October 31, 1969, for Fanny Farmer Candy Shops, Inc. which is for the year ended December 31, 1969, for Intercomputer Corporation which is from date of Incorporation June 25, 1969 to December 31, 1969 and for Westville Homes Corporation which is from date of Incorporation September 15, 1969 to December 31, 1969.

NOTES TO FINANCIAL STATEMENTS — Continued

NOTE 3. Debentures:

The 5% debentures are covered by an indenture and are redeemable at the option of the Company at a call price of 105% of the principal amount of the debentures for the first five years ending January 1, 1971 and thereafter decreasing annually by 1% of the principal amount of the debentures until the call price equals the principal amount. The indenture contains certain protective covenants, by which, among other things, declaration of dividends (other than stock dividends) and redemptions of stock are not permitted unless after deducting the amount of such dividends or redemptions the asset coverage (as defined) is at least 300% of the outstanding debentures. At December 31, 1969, asset coverage (as defined) was 3,068% of the outstanding debentures.

During the year ended December 31, 1969, the Company purchased $23,000 par value of its debentures at the market price, an aggregate cost of $18,079.

NOTE 4. Litigation:

The Company and certain employees, officers, directors, and others have been named defendants in three civil suits brought in the United States District Court for the Central District of California. These actions allege that certain representations made in reports to stockholders and in proxy statements were misleading and as a result, the plaintiffs (and in two of these actions others allegedly situated similarly to plaintiffs) suffered damages. Counsel for the Company is of the opinion that the Company has substantial defenses to these actions.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

THE DIRECTORS AND STOCKHOLDERS AMOSKEAG COMPANY

We have examined the accompanying balance sheet and statement of investments of Amoskeag Company at December 31, 1969, and the related statement of income, realized gains on investments and changes in common stock and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The investments owned by the Company at December 31, 1969 were accounted for by inspection or, in the case of securities purchased but not received, by confirmation received direct from brokers.

In our opinion, the statements mentioned above present fairly the financial position of Amoskeag Company at December 31, 1969 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

Boston, Massachusetts
January 28, 1970

SUPPLEMENTARY INFORMATION

Year Ended December 31, 1969

Purchases and sales of securities, other than U. S. Government and other securities with maturities of one year or less, amounted to $6,927,230 and $11,126,369 respectively.

Fees amounting to $16,353 were incurred for legal services of Cole & Deitz, a member of which firm is a Director of Amoskeag.

As filed with the Securities and Exchange Commission on July 18, 1969

23 Registration No. 2-33263

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

PLAINTIFF'S EXHIBIT
U. S. Dist. Court
S. D. of N. Y.
MAR 9 1971

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
JUL 18 1969
DIVISION OF CORPORATION FINANCE

AMENDMENT NO. 2
To
Form S-1

REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

Bangor Punta Corporation

(Exact name of registrant as specified in charter)

405 Park Avenue
New York, N. Y. 10022
(Address of principal executive offices)

JOHN E. FLICK, Senior Vice President and General Counsel

BANGOR PUNTA CORPORATION
405 Park Avenue
New York, N. Y. 10022
(Name and Address of agent for service)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value $1 per share	1,734,150 shs.	$85	$129,934,400	$25,987
Warrants—Series C to purchase Common Stock, par value $1 per share, expiring March 31, 1981	4,698,823 Wts.			
8¼% Convertible Subordinated Debentures Due 1994	$39,370,400 Debs.			
Common Stock, par value $1 per share, reserved for issuance upon exercise of the Warrants	4,698,823 shs.(2)	None	None	None
Common Stock, par value $1 per share, reserved for issuance upon conversion of the Debentures	715,825 shs.(2)	None	None	None

(1) Estimated solely for the purpose of calculating the registration fee.
(2) An additional indeterminate number of shares are being registered to cover any adjustments in the number of shares issuable upon the conversion of the Debentures or the exercise of the Warrants. Pursuant to Rules 457(f) and 457(h) no additional fee is payable.

EXPLANATORY NOTE

This Registration Statement includes two forms of Prospectus. The first covers a General Exchange Offer by Bangor Punta Corporation to shareholders of Piper Aircraft Corporation who are not parties to a certain Agreement dated as of May 8, 1969 and described in each form of Prospectus. The second covers a Limited Exchange Offer by Bangor Punta to all Piper shareholders who are parties to such Agreement.

Upon the effectiveness of this Registration Statement each form of Prospectus will be distributed in connection with the offering to which it relates and 25 copies of each form of Prospectus in the exact form in which it is to be used after the effective date will be filed with the Securities and Exchange Commission pursuant to Rule 424(b) of the General Rules and Regulations under the Securities Act of 1933.

The forms of Prospectus for each of the offerings will be identical, except that the front cover will vary as set forth herein.

BANGOR PUNTA CORPORATION

Cross Reference Sheet Pursuant to Rule 404(c) Between Items of Form S-1 and Prospectus

Item No.	Item in Form S-1	Caption in Prospectus
1.	Distribution Spread	*
2.	Plan of Distribution	Cover Page; The Exchange Offers
3.	Use of Proceeds to Registrant	The Exchange Offers
4.	Sales Otherwise than for Cash	The Exchange Offers
5.	Capital Structure	Capitalization
6.	Summary of Earnings	Bangor Punta Corporation and Subsidiary Companies —Consolidated Statement of Earnings; Piper Aircraft Corporation Statement of Consolidated Income; Pro forma Statments of Income
7.	Organization of Registrant	Bangor Punta Corporation; Information Concerning Piper
8.	Parents of Registrant	*
9.	Description of Business	Description of Bangor Punta's Business; Development of Bangor Punta's Business; Information Concerning Piper
10.	Description of Property	Description of Bangor Punta's Properties; Information Concerning Piper
11.	Organization within 5 years	*
12.	Pending Legal Proceedings	Development of Bangor Punta's Business—Other Transactions; Background of the Exchange Offers; Certain Litigation; Information Concerning Piper
13.	Capital Stock Being Registered	Description of Bangor Punta's Capital Stock
14.	Long-term Debt Being Registered	Description of the Debentures
15.	Other Securities Being Registered	Description of the Warrants
16.	Directors and Executive Officers	Management of Bangor Punta
17.	Remuneration of Directors and Officers	Management of Bangor Punta
18.	Options to Purchase Securities	Capitalization; Management of Bangor Punta
19.	Principal Holders of Securities	Description of Bangor Punta's Capital Stock
20.	Interest of Management and Others in Certain Transactions	Development of Bangor Punta's Business; Management of Bangor Punta
21.	Financial Statements	Index to Financial Statements

* Not applicable.

PROSPECTUS

EXCHANGE OFFER
TO HOLDERS OF COMMON STOCK OF

Piper Aircraft Corporation

BANGOR PUNTA CORPORATION

Bangor Punta Corporation ("Bangor Punta") hereby offers, subject to the approval of its stockholders and upon the terms set forth herein under "The Exchange Offers", to exchange its Common Stock, par value $1 per share ("Common Stock" or "Common Shares"), Warrants—Series C expiring March 31, 1981 to purchase Common stock at $55 per share ("Warrants"), and 8¼% Convertible Subordinated Debentures Due 1994 convertible into Common Stock at $55 per share ("Debentures") for shares of common stock of Piper Aircraft Corporation ("Piper") in the ratio of:

1.2 Common Shares, Warrants to purchase 3.5 Common Shares and $31 principal amount of Debentures } **for 1 share of Piper common stock**

Pursuant to an Agreement dated as of May 8, 1969, Bangor Punta is simultaneously offering a share of its Common Stock, $15 principal amount of its Debentures and Warrants to purchase 2.2 shares of its Common Stock at $55 per share to 42 holders of Piper common stock holding an aggregate of 501,090 shares. Such Agreement provides that, in the event Bangor Punta obtains more than 50% of the outstanding common stock of Piper, the Piper shareholders party thereto shall receive additional Bangor Punta securities and/or cash (see "Background of the Exchange Offers").

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Debentures bear interest from July 1, 1969, are initially redeemable on and after July 1, 1973 at 108.25% of principal amount, are entitled to a sinking fund commencing on March 31, 1980 sufficient to retire by maturity 91% of the principal amount outstanding on March 31, 1980 and are subordinate to Senior Indebtedness (as defined), which amounted to $135,944,560 as of June 25, 1969. Interest on the Debentures is payable July 1 and January 1 of each year (see "Description of the Debentures"). The Warrants are redeemable at any time at a price of $55 for each share of Common Stock purchasable upon their exercise.

If stockholder approval is obtained, Bangor Punta will accept all shares of Piper common stock tendered pursuant to the Exchange Offers. With respect to all shares tendered prior to the date of such stockholder approval, Bangor Punta Common Stock, Debentures and Warrants will be delivered on the date of such approval or as soon thereafter as practicable. As shares are tendered after such date, Bangor Punta Common Stock, Debentures and Warrants will be delivered as soon as practicable on a daily basis.

This Exchange Offer expires 5:00 p.m., New York time, on July 29, 1969, unless extended by Bangor Punta.

On July 17, 1969, the last reported sale price for Bangor Punta Common Stock on the New York Stock Exchange was $24.50, and the reported bid price of the Warrants in the over-the-counter market was $7.50 (the Warrants are traded on the basis of a right to purchase one share of Common Stock). On the same date the last reported sale price for Piper common stock on the New York Stock Exchange was $67.00. There is no present market for the Debentures. Application will be made to list the Common Stock and the Debentures on the New York Stock Exchange and the Warrants on the American Stock Exchange.

As discussed under "Background of the Exchange Offers" Bangor Punta and Piper are subject to a voluntary consent decree which prohibits activities constituting offers to sell securities except in accordance with applicable federal securities laws.

The First Boston Corporation, as Dealer Manager, has agreed to use its best efforts to make arrangements for selected Soliciting Dealers, including itself, to solicit tenders of Piper common stock pursuant to this Exchange Offer. Bangor Punta has agreed to pay the Dealer Manager 30¢ for each tendered share of Piper common stock, but not less than $40,000. In addition, Soliciting Dealers will be paid $1.50 for each share of Piper common stock tendered through their efforts subject to a minimum of $20 with respect to any single tendering stockholder (see "The Exchange Offers—Solicitation of Tenders").

The First Boston Corporation

The date of this Prospectus is July 18, 1969.

ALTERNATE COVER

PROSPECTUS

EXCHANGE OFFER

TO CERTAIN HOLDERS OF COMMON STOCK OF

PIPER AIRCRAFT CORPORATION

BANGOR PUNTA CORPORATION

Bangor Punta Corporation ("Bangor Punta") hereby offers to the Piper Aircraft Corporation ("Piper") stockholders who are parties to the Agreement described under "Background of the Exchange Offers", subject to the approval of its stockholders and upon the terms set forth herein under "The Exchange Offers", to exchange its Common Stock, par value $1 per share ("Common Stock" or "Common Shares") Warrants—Series C expiring March 31, 1981 to purchase Common Stock at $55 per share ("Warrants"), and Convertible Subordinated Debentures Due 1994 convertible into Common Stock at $55 per share ("Debentures") of common stock of Piper in the ratio of:

1 Common Share,
Warrants to purchase 2.2 Common Shares and
$15 principal amount of Debentures } **for 1 share of Piper Common Stock**

The Exchange Offer to those Piper stockholders party to the Agreement is subject to increase as described under "Background of the Exchange Offers".

The Debentures bear interest from July 1, 1969, are initially redeemable on and after July 1, 1973 at 108.25% of principal amount, are entitled to a sinking fund commencing on March 31, 1980 sufficient to retire by maturity 91% of the principal amount outstanding on March 31, 1980 and are subordinate to Senior Indebtedness (as defined), which amounted to $135,944,560 as of June 25, 1969. Interest on the Debentures is payable July 1 and January 1 of each year (see "Description of the Debentures"). The Warrants are redeemable at any time at a price of $55 for each share of Common Stock purchasable upon their exercise.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

If stockholder approval is obtained, Bangor Punta will accept all shares of Piper common stock tendered pursuant to the Exchange Offers. With respect to all shares tendered prior to the date of such stockholder approval, Bangor Punta Common Stock, Debentures and Warrants will be delivered on the date of such approval or as soon thereafter as practicable. As shares are tendered after such date, Bangor Punta Common Stock, Debentures and Warrants will be delivered as soon as practicable on a daily basis.

This Exchange Offer expires 5:00 p.m., New York time, on July 29, 1969, unless extended by Bangor Punta.

On July 17, 1969, the last reported sale price for Bangor Punta Common Stock on the New York Stock Exchange was $24.50, and the reported bid price of the Warrants in the over-the-counter market was $7.50 (the Warrants are traded on the basis of a right to purchase one share of Common Stock). On the same date the last reported sale price for Piper common stock on the New York Stock Exchange was $67.00. There is no present market for the Debentures. Application will be made to list the Common Stock and the Debentures on the New York Stock Exchange and the Warrants on the American Stock Exchange.

As discussed under "Background of the Exchange Offers" Bangor Punta and Piper are subject to a voluntary consent decree which prohibits activities constituting offers to sell securities except in accordance with applicable federal securities laws.

Bangor Punta has been informed that the stockholders of Piper to whom this Exchange Offer is being made may offer all or part of the Bangor Punta securities received by them as a result of the exchange for sale from time to time on the New York Stock Exchange, on the American Stock Exchange, in the over-the-counter market or in private transactions. Any such person who offers or sells such securities in such manner may be considered an "underwriter" as such term is defined in the Securities Act of 1933 with respect to such securities. No part of the proceeds from the sale of such securities will be received by Bangor Punta.

The date of this Prospectus is July 18, 1969.

IN CONNECTION WITH THIS OFFERING, THE DEALER MANAGER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE DEBENTURES, COMMON STOCK AND/OR WARRANTS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, THE AMERICAN STOCK EXCHANGE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Until August 27, 1969, all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters.

No dealer, salesman or any other person has been authorized by Bangor Punta to give any information or to make any representations other than those contained in this Prospectus in connection with the offer contained in this Prospectus. This Prospectus does not constitute an offering of any securities other than the Common Stock, the Debentures and the Warrants specifically offered hereby nor of those securities in any jurisdiction in which such offering may not lawfully be made. Neither the delivery of this Prospectus nor any exchange or sale made hereunder shall, under any circumstances, create an implication that there has been no change in the facts herein set forth since the date hereof.

Bangor Punta has filed with the Securities and Exchange Commission, Washington, D. C., a Registration Statement under the Securities Act of 1933, as amended, in respect of the securities offered hereby. For further information with respect to Bangor Punta and the securities, reference is made to such Registration Statement which may be examined at the office of the Commission without charge and copies of which may be obtained upon payment of the Commission's charge for copying.

GENERAL SUMMARY

The information under this heading, which makes use of certain terms defined in this Prospectus, is a summary of material appearing elsewhere in this Prospectus and is subject in all respects to such other material.

Legal Proceedings. On May 22, 1969 Chris-Craft Industries, Inc. brought suit in United States District Court against Bangor Punta, Piper, The First Boston Corporation, and certain of their respective officers and directors alleging a conspiracy to frustrate an exchange offer to Piper shareholders made by Chris-Craft, seeking to enjoin the Exchange Offers and seeking money damages. All defendants who have been served have filed answers denying such allegations.

On May 26, 1969 Bangor Punta and Piper entered into a stipulation with the Securities and Exchange Commission pursuant to which a voluntary consent decree was entered in United States District Court enjoining Bangor Punta and Piper from violations of the registration provisions of the Securities Act of 1933 with respect to any offer to Piper shareholders and ordering Bangor Punta to file the registration statement of which this Prospectus is a part. The Registration Statement of which this Prospectus is a part was filed on May 29, 1969. Prior to such date Bangor Punta and certain members of the Piper family issued a press release concerning the proposed Exchange Offers and neither such press release nor news reports concerning it should be relied on in making investment decisions.

On June 2, 1969 Bangor Punta brought an action in United States District Court against Chris-Craft alleging violations of federal securities laws, seeking to enjoin Chris-Craft from accepting Piper shares tendered to it, or from voting such shares, divestiture of the Piper common stock owned by Chris-Craft and money damages. Chris-Craft has filed an answer denying such allegations (see "Background of the Exchange Offers" and "Information Concerning Piper—Litigation and Insurance").

Bangor Punta Corporation. Bangor Punta is a diversified holding company with operating units in the following industries: leisure time; public security; energy systems; process engineering and equipment; fashion fabrics; agribusiness; services; and transportation (see "Description of Bangor Punta's Business" and "Development of Bangor Punta's Business").

Bangor Punta was incorporated in Delaware in 1932 and has executive offices at 405 Park Avenue in New York City and at 84 Harlow Street in Bangor, Maine. Unless the context requires otherwise, the terms "Bangor Punta" and the "Company" as used herein refer to Bangor Punta Corporation and all of its subsidiaries and operating units.

Exchange Offers. Bangor Punta offers, subject to its stockholders' approval, and upon the terms set forth herein, to exchange its securities for Piper Aircraft common stock as follows: (A) to those Piper shareholders who are not parties to the Agreement referred to under "Background of the Exchange Offers" (1) 1.2 shares of Bangor Punta Common Stock (ii) Bangor Punta Warrants to purchase 3.5 shares of Bangor Punta Common Stock and (iii) $31 principal amount of 8¼% Convertible Subordinated Debentures Due 1994 for each share of Piper common stock and (B) to those Piper shareholders who are parties to such Agreement (i) one share of Bangor Punta Common Stock (ii) Bangor Punta Warrants to purchase 2.2 shares of Bangor Punta Common Stock and (iii) $15 principal amount of a 8¼% Convertible Subordinated Debenture Due 1994 for each share of Piper common stock. The exchange offer to the parties to the aforementioned Agreement is subject to increase upon the happening of certain conditions as described under "Background of the Exchange Offers."

No guarantee of, or representation as to, the value of the securities offered by Bangor Punta pursuant to the Exchange Offers is or can be made.

The Exchange Offers may be accepted by completing the Letter of Transmittal provided by Bangor Punta and forwarding such Letter of Transmittal together with the appropriate Piper common stock certificates to the Exchange Agent, Irving Trust Company, Trusts and Agencies Department, Sixth Floor, One Wall Street, New York, New York 10015. Additional copies of the Letter of Transmittal may

be obtained from the Exchange Agent, from Bangor Punta, telephone (212) PL 8-6900; or from D. F. King & Co., Inc., 48 Wall Street, New York, N. Y., telephone (212) BO 9-5550 (see "Background of The Exchange Offers" and "The Exchange Offers").

Piper Aircraft Corporation. Piper is a leading producer of airplanes used in general aviation and was incorporated in 1937 under the laws of the Commonwealth of Pennsylvania. Its executive offices and main plant are located in Lock Haven, Pennsylvania (see "Information Concerning Piper").

Federal Tax Status. Piper shareholders who exchange their shares in accordance with the Exchange Offers will realize gain or loss for Federal income tax purposes measured by the difference between the fair market value of the Bangor Punta securities received and the cost or other basis for the Piper common stock exchanged. If the Piper common stock exchanged is a capital asset in the hands of its holder, such gain or loss will be a capital gain or loss, assuming that the Debentures are not issued at an "original issue discount" as discussed under "Federal Tax Status" (see "Federal Tax Status" under "The Exchange Offers").

Comparative Share Data. The range of market prices for Bangor Punta Common Stock and Piper common stock on the New York Stock Exchange and for Bangor Punta's Warrants in the over-the-counter market for the periods indicated was as follows:

Period	Bangor Punta Common		Piper Common*		Bangor Punta Warrants**	
	High	Low	High	Low	High bid	Low asked
1968	61⅛	35⅝	72¼	48	—	—
1969 (through July 17)	50⅜	23⅝	79	50⅞	11½	7

* Trading in Piper common stock was suspended on the New York Stock Exchange during the period April 7, 1969 through April 18, 1969. During such period the high and low prices for Piper common stock on the Philadelphia-Baltimore-Washington Stock Exchange were 69½ and 64¼, respectively (see "Market Prices of Bangor Punta Securities" and "Market Prices of Piper Aircraft Corporation Common Stock").

** Bangor Punta's Warrants were issued on February 27, 1969.

For comparative net income, dividends and book value per share on a historical and pro-forma basis see "Comparative Share Data".

BACKGROUND OF THE EXCHANGE OFFERS

As of May 8, 1969 Bangor Punta entered into an agreement (the "Agreement") with 42 holders of Piper common stock owning 501,090 shares. Under the Agreement as subsequently supplemented such holders agreed, subject to regulatory and Bangor Punta shareholder approval, to exchange their Piper common stock for (i) one share of Bangor Punta Common Stock, (ii) Bangor Punta Warrants to purchase 2.2 shares of its Common Stock at a price of $55 per share and (iii) $15 principal amount of a Bangor Punta 8¼% Convertible Subordinated Debenture Due 1994 (convertible into Bangor Punta Common Stock at a price of $55 per share) for each share of Piper common stock. Included among the parties to the Agreement are W. T. Piper Jr., Howard Piper and Thomas F. Piper, each of whom is a director of Piper. Such exchange offer is herein called the "Limited Exchange Offer". Under the Agreement Bangor Punta is to use its best efforts to acquire the remaining outstanding shares of Piper and to make this exchange offer for such shares ("General Exchange Offer").

In the event that Bangor Punta succeeds in obtaining a sufficient number of shares so that its total ownership of Piper common stock is more than 50% of the shares outstanding and in the further event that at the date of the commencement of the General Exchange Offer the value of the Common Stock, Warrants and Debentures exchanged with the Piper shareholders who are parties to the Agreement is less than $80, such shareholders will receive Bangor Punta securities and/or cash equal to the

difference between the value of such Common Stock, Warrants and Debentures on such commencement date and $80.

No guarantee of, or representation as to, the value of the securities offered by Bangor Punta pursuant to the Exchange Offers is or can be made.

The term "Exchange Offers" as used herein refers to both of the above-described exchange offers.

As of the date of this Prospectus Bangor Punta owned 120,200 shares of Piper common stock purchased in privately negotiated transactions. Such shares were purchased as follows:

Date	Number	Average Price per Share
May 14, 1969	78,600	79.25*
May 15, 1969	20,000	74.25
May 16, 1969	3,000	75.97
May 20, 1969	11,200	76.25
May 23, 1969	7,400	77.78

* A fee of $.75 a share was paid in connection with this purchase.

Chris-Craft Industries, Inc., is making an exchange offer for a limited number of shares of Piper common stock. As disclosed in its registration statement relating to its offer, Chris-Craft is offering its securities and cash for a minimum of 80,000 shares and a maximum of 300,000 shares (or at Chris-Craft's option up to 400,000 shares) of Piper common stock on the basis of (i) one share of its new $2 preferred stock (convertible between August 1, 1969 and June 1, 1979 into 2.4 shares of Chris-Craft common stock and redeemable after June 1, 1970, at $65 per share), (ii) warrants to purchase 2 shares of Chris-Craft common stock at any time on or before June 1, 1974 at a purchase price of $25 and (iii) $10 for each share of Piper common stock accepted. On June 6, 1969 Chris-Craft's shareholders approved the issuance of Chris-Craft securities pursuant to its exchange offer. Chris-Craft states that it is the owner of 556,206 shares of Piper common stock acquired as a result of a cash tender offer and open market and negotiated purchases.

Bangor Punta seeks to acquire control of Piper. Bangor Punta already owns or, as stated under "Background of the Exchange Offers", has contracted for a total of 621,290 shares of Piper, approximately 38% of the total outstanding. If it succeeds in acquiring at least a majority of the outstanding common stock of Piper, it would acquire the power to cause Piper to merge, consolidate, sell its assets or liquidate without concurrence of the remaining Piper common stockholders; however, in certain instances any minority shareholder who dissented from such action would have appraisal rights under Pennsylvania law. It is presently contemplated that if Bangor Punta acquires a majority of the common stock of Piper, Piper will be operated as a separate unit of Bangor Punta and that the present officers of Piper would occupy the same offices in such unit. However, Bangor Punta does not presently have sufficient information available to it to make any final decision as to these matters. Any such final decision by Bangor Punta depends upon, among other things, operational, tax, financial and other corporate considerations.

On May 22, 1969 Chris-Craft Industries, Inc. brought suit in the United States District Court for the Southern District of New York against Bangor Punta, Piper, The First Boston Corporation and certain of their respective officers and directors. The complaint alleges a conspiracy to frustrate an exchange offer to Piper shareholders then being made by Chris-Craft, seeks to enjoin the Exchange Offers and seeks damages of $45,000,000. All defendants who have been served have filed answers denying such allegations.

On May 26, 1969 Bangor Punta and Piper entered into a stipulation with the Securities and Exchange Commission pursuant to which a voluntary consent decree was entered in the United States District Court for the District of Columbia. In principal effect, the decree prohibited Bangor Punta and

Piper from actions that might be construed as offers to sell securities until the filing of a registration statement with respect thereto. In entering into the stipulation neither Bangor Punta nor Piper admitted any violations of law. On May 29, 1969 Bangor Punta filed the Registration Statement of which this Prospectus is a part. Other than as disclosed in this Prospectus neither Bangor Punta nor Piper has any present plans for the sale of additional securities, by a registration statement or otherwise, except pursuant to applicable exemptions under the Securities Act of 1933. Accordingly, the decree has no effect on Bangor Punta's intention to acquire control of Piper.

On June 2, 1969 Bangor Punta brought an action in the United States District Court for the Southern District of New York against Chris-Craft alleging violation of federal securities laws, seeking to enjoin Chris-Craft from accepting Piper shares tendered to it pursuant to its exchange offer or from voting such shares, divestiture of the Piper common stock owned by Chris-Craft and $50,000,000 damages. Chris-Craft has filed an answer denying such allegation.

THE EXCHANGE OFFERS

General Exchange Offer:

Bangor Punta hereby offers to all holders of Piper common stock other than those who are parties to the Agreement (see "Background of the Exchange Offers") to exchange its Common Stock, 8¼% Convertible Subordinated Debentures Due 1994, and Warrants—Series C expiring March 31, 1981 to purchase its common stock at $55 per share for all of the outstanding shares of Piper common stock tendered in accordance with this General Exchange Offer in the ratio of 1.2 shares of Common Stock, $31 principal amount of a Debenture and Warrants to purchase 3.5 shares of Common Stock for each share of Piper common stock. The Debentures are convertible into Bangor Punta Common Stock at $55 per share.

Limited Exchange Offer:

Bangor Punta hereby offers to those holders of Piper common stock who are parties to the Agreement (see "Background of the Exchange Offers") to exchange its Common Stock, 8¼% Convertible Subordinated Debentures Due 1994, and Warrants—Series C expiring March 31, 1981 to purchase its Common Stock at $55 per share for all of the outstanding shares of Piper common stock tendered in accordance with this Limited Exchange Offer in the ratio of one share of Common Stock, $15 principal amount of a Debenture and Warrants to purchase 2.2 shares of Common Stock for each share of Piper common stock. The Debentures are convertible into Bangor Punta Common Stock at $55 per share.

Terms and Conditions:

The Exchange Offers are conditioned upon approval thereof by the stockholders of Bangor Punta. A meeting of stockholders to approve the Exchange Offers has been called for August 7, 1969. Such approval has been recommended by the Board of Directors of Bangor Punta, and if such approval is obtained, Bangor Punta will accept all shares of Piper common stock tendered pursuant to the Exchange Offers. When shares of Piper common stock are tendered, dividends payable to holders of record as of any date subsequent to July 1, 1969 will be required to be assigned to Bangor Punta. To compensate for such assignment, the Debentures, when issued, will carry accrued interest from July 1, 1969.

Expiration Date:

The Exchange Offers will expire at 5:00 p.m., New York time, on July 29, 1969, subject to the extension of either or both of them by Bangor Punta for a further period or periods terminable by Bangor Punta on not less than twenty-four hours' notice delivered to the Exchange Agent. Each such date, as so extended, is herein referred to as the "Expiration Date"; provided that Bangor Punta shall not extend either of such dates beyond September 30, 1969, unless the approval of the Exchange Offers by its stockholders shall have been obtained.

Exchange Agent:

The Exchange Agent is Irving Trust Company. Correspondence sent to Irving Trust Company in connection with the Exchange Offers should be addressed to its Corporate Trust Department, Sixth Floor, One Wall Street, New York, New York 10015.

Obligation to Purchase all Piper Shares:

Bangor Punta will irrevocably accept, and will be deemed to have accepted, all tendered shares of Piper common stock as of the later of (i) the date of approval of the Exchange Offers by the stockholders of Bangor Punta or (ii) the date of receipt of the Letter of Transmittal or an appropriate telegram or letter of guarantee by the Exchange Agent, provided that such Agent determines that the documentation with respect to such shares is complete or Bangor Punta has waived any defects.

Irrevocable Proxy:

The Letter of Transmittal contains a form of irrevocable proxy which should also be properly executed by any holder of record of shares of Piper common stock tendering such shares. In the event shares of Piper common stock are tendered by a beneficial holder of such shares and it is not practicable for such beneficial holder to obtain the signature of the record holder on the irrevocable proxy, Bangor Punta will waive the requirement that such proxy be signed. The proxy is irrevocable although it may not be used by Bangor Punta except upon acceptance of the shares covered thereby.

Fractional Interests:

Only full shares of Common Stock will be issued. Any tendering stockholder otherwise entitled to receive a fractional share of Common Stock will be entitled at his option either (i) to purchase a fractional interest to round up to a whole share of Common Stock or (ii) to sell the fractional interest.

Debentures will be issued to tendering stockholders only in integral multiples of $100. Any tendering stockholder otherwise entitled to receive a fraction of a Debenture in a principal amount constituting less than $100 will be entitled, at his option, either (i) to purchase a sufficient fractional interest (based upon a value of $100 principal amount for each Debenture to round up to the next higher $100 principal amount of Debentures, or (ii) to sell the fractional interest.

No Warrants to purchase fractional shares of Bangor Punta Common Stock will be issued to tendering stockholders. Any tendering stockholder otherwise entitled to receive a Warrant to purchase a fractional share of Common Stock will be entitled, at his option, either (i) to purchase a fractional interest to round up to a Warrant for the purchase of the next higher whole share of Common Stock, or (ii) to sell the fractional interest.

The above options may be exercised by appropriate instructions given by any tendering stockholder in the Letter of Transmittal to the Exchange Agent, which will act as the stockholder's agent for this purpose. Any tendering stockholder who does not specifically direct the Exchange Agent to purchase a sufficient fractional interest to round up to a full share of Common Stock will be deemed to have directed the Exchange Agent to sell the fractional interest. Any tendering stockholder who does not specifically direct the Exchange Agent to purchase a sufficient fractional interest to round up to the next higher $100 principal amount of Debentures will be deemed to have directed the Exchange Agent to sell the fractional interest. Any tendering stockholder who does not specifically direct the Exchange Agent to purchase a sufficient fractional interest to round up to a Warrant for the purchase of the next higher whole share of Common Stock will be deemed to have directed the Exchange Agent to sell the fractional interest. Fractional interest purchase and sale orders will be effected as soon as practicable from time to time on the basis of prevailing market prices. If the stockholder elects to sell a fractional interest, the sale price thereof will be remitted to him by check promptly after sale by the Exchange Agent. If he elects to buy the necessary fractional interest, the Exchange Agent will bill him for the purchase price thereof and upon receipt of such purchase price, a certificate for a share of Common Stock, a Debenture in an authorized denomination or a certificate for a Warrant, as the case may be, will be issued to the Exchange Agent as agent for the stockholder. If a stockholder who elects to purchase a fractional interest fails to remit the purchase price thereof to the Exchange Agent within thirty days after being billed, the

Exchange Agent may sell the fractional interest for the account of the stockholder. All expenses payable in connection with such purchases or sales of fractional interests will be borne by Bangor Punta.

To illustrate the effect of the foregoing in the case of an odd-lot and a round lot holder of Piper common stock, the following examples are given:

Example 1. A holder of 93 shares of Piper common stock will be entitled to receive:

A—111 shares of Bangor Punta Common Stock. Because fractional shares of Bangor Punta Common Stock will be issued to tendering shareholders and because 93 x 1.2=111.6, the holder will also have the option (i) to purchase a $\frac{4}{10}$ fractional interest to round up to a full share of Common Stock or (ii) sell the 6/10 fractional interest.

B—Warrant to purchase 325 shares of Bangor Punta Common Stock exercisable in whole or from time to time in part at a price of $55 for each share. Because no Warrants to purchase fractional shares of Bangor Punta Common Stock will be issued to tendering shareholders, and 93 x 3.5 = 325.5, the holder will also have the option (i) to purchase a ½ fractional interest to round up to a Warrant for the purchase of the next higher whole share of Common Stock or (ii) to sell the ½ fractional interest.

C—$2,800 principal amount of Bangor Punta Debentures. Because the smallest denomination of Debenture to be issued is $100, and 93 x $31 equals $2,883, the holder will also have the option (i) to purchase $17 of fractional interest to round up to a $100 Debenture or (ii) to sell the $83 fractional interest.

Example 2. A holder of 100 shares of Piper common stock will be entitled to receive:

A—120 shares of Bangor Punta Common Stock (100 x 1.2 shares).

B—A Warrant to purchase 350 shares of Bangor Punta Common Stock exercisable in whole or from time to time in part at a price of $55 for each share (100 x 3.5).

C—$3,100 principal amount of Bangor Punta Debentures (100 x $31).

Delivery of Common Stock, Debentures and Warrants:

With respect to all shares of Piper common stock tendered prior to the date of approval of the Exchange Offers by the Bangor Punta stockholders, Bangor Punta Common Stock, Debentures and Warrants will be delivered on the date of such approval or as soon as practicable thereafter. As shares of Piper common stock are tendered after the date of approval by the stockholders of Bangor Punta, Bangor Punta Common Stock, Debentures and Warrants will be delivered as soon as practicable on a daily basis. However, in the case of tenders by telegram or letter of guarantee, Bangor Punta Common Stock, Debentures and Warrants will be delivered as soon as practicable after the Letter of Transmittal and tendered certificates relating to such guarantees have been received by Bangor Punta. All Debentures will be dated as of the date of issue of the first Debentures delivered and interest (or a cash payment in lieu of interest) will be paid from July 1, 1969.

In order to expedite delivery, each tendering Piper stockholder will receive the least number of Bangor Punta Debentures which aggregate the principal amount to which he is entitled.

Method of Tendering Shares:

Stockholders of Piper may tender their shares by filling in and signing the Letter of Transmittal accompanying this Prospectus and delivering such Letter of Transmittal, together with their stock certificates, to the Exchange Agent on or prior to the Expiration Date. Insured registered mail, return receipt requested, is recommended if the mails are used. **Letters of Transmittal and stock certificates should not be delivered to Bangor Punta.** Shares will also be deemed properly tendered if, (i) prior to the Expiration Date, the Exchange Agent shall have received from a commercial bank or trust company in the continental United States, or a member firm of any registered national securities exchange or member of the National Association of Securities Dealers, Inc., a letter or telegram giving the name of the tendering holder, the number of shares tendered, and guaranteeing that the stock certificates will

be delivered to such Agent within eight business days after notice of acceptance by Bangor Punta of the shares tendered has been given and that such certificates will be accompanied by a properly executed Letter of Transmittal relating to such shares (in which case, subject to subsequent compliance with clause (ii) below, the shares to which the letter or telegram relates shall be deemed properly tendered as of the later of the date of approval of the transaction by the stockholders of Bangor Punta or the date of receipt of the letter or telegram); and (ii) such Agent shall have in fact received the Letter of Transmittal and tendered certificate or certificates within said eight business days.

Tendered Stock:

All tenders of stock of Piper are irrevocable. No variation in the terms of the General Exchange Offer is presently contemplated. However, circumstances may arise under which the terms of the General Exchange Offer may be increased, in which event all Piper holders tendering their shares pursuant to the General Exchange Offer will receive such increase, whether tendering before or after such increase.

Any irregularities in connection with the tender of shares must be cured within such time as Bangor Punta shall determine, unless waived by Bangor Punta in its sole discretion. All tendered stock which is not in acceptable form for tender will be returned, without cost, by the Exchange Agent to the appropriate tendering stockholder as soon as practicable.

Solicitation of Tenders:

The First Boston Corporation, as Dealer Manager, has entered into an agreement with Bangor Punta, a copy of which is filed as an exhibit to the Registration Statement, whereby the Dealer Manager has agreed to use its best efforts to make arrangements for selected securities dealers ("Soliciting Dealers"), including itself, to solicit exchanges pursuant to the General Exchange Offer. As compensation for such services, Bangor Punta will pay to the Dealer Manager a fee of 30¢ for each share of Piper common stock tendered in accordance with the General Exchange Offer, but such fee shall in no event be less than $40,000. No fees will be paid with respect to shares tendered after the Expiration Date. In addition, D. F. King & Co., Inc. has been retained to assist in the solicitation of tenders.

The Dealer Manager, upon receipt of funds from Bangor Punta, will pay to each Soliciting Dealer a fee of $1.50 for each share of Piper common stock tendered in accordance with the General Exchange Offer, if, with the approval of the tendering stockholder, the name of such Soliciting Dealer has been inserted in a duly executed Letter of Transmittal or if Bangor Punta and the Dealer Manager have agreed that such Soliciting Dealer is entitled to such fee in recognition of the Dealer's services in effectuating the exchange provided that the fee payable with respect to the shares of any single exchanging shareholder shall be not less than $20. No fees will be paid to Soliciting Dealers if the General Exchange Offer is not consummated. No fees will be paid with respect to the Limited Exchange Offer.

The Soliciting Dealers, including the Dealer Manager, and the stockholders of Piper who are parties to the Agreement may be deemed to be underwriters within the meaning of the Securities Act of 1933. The Dealer Manager Agreement and the Agreement provide that Bangor Punta will indemnify the Soliciting Dealers, including the Dealer Manager, and the stockholders of Piper who are parties to the Agreement, respectively, against certain civil liabilities, including liability under the Securities Act of 1933.

The First Boston Corporation has rendered services as financial adviser to Piper and the stockholders of Piper who are parties to the Agreement referred to under "Background of the Exchange Offers" for which it is to receive compensation in an amount not yet determined. If Bangor Punta obtains a majority of the outstanding shares of, or merges with, Piper, Bangor Punta has agreed it will pay the compensation payable to The First Boston Corporation for such services.

Payment of Expenses:

The expenses to be incurred in connection with the Exchange Offers, including the fees of the Dealer Manager, Exchange Agent and D. F. King & Co., Inc. (which has been retained for a fee of $5,000 plus expenses to assist in the solicitation of tenders), compensation paid to Dealers, printing, accounting and legal fees, fees for registering the Common Stock, Debentures and Warrants under Federal

and state securities laws, stock transfer taxes, and miscellaneous other items, will be paid by Bangor Punta. Such expenses cannot be estimated with accuracy because of the variable factors involved. Bangor Punta has agreed to pay the fees and expenses of the Dealer Manager and Soliciting Dealers as set forth above under "Solicitation of Tenders". If all shares of Piper common stock were tendered, such fees and expenses would be approximately $1,850,000 and in addition in such event the other expenses would be approximately $150,000.

Federal Tax Status:

In the opinion of Timothy P. Reames, Assistant General Counsel and Tax Counsel for Bangor Punta, the Federal tax consequences to each Piper stockholder who exchanges shares of Piper common stock for Bangor Punta Common Stock, Debentures and Warrants pursuant to the Exchange Offers are as follows:

(a) The exchanging stockholder will realize gain or loss for Federal income tax purposes.

(b) Any gain or loss so realized will be capital gain or loss if the stock of Piper exchanged is a capital asset in his hands assuming that the Debentures are not issued at "an original issue discount" as discussed below. The gain or loss will be long-term or short-term, depending on whether such stockholder has held the stock for more than six months.

(c) Such stockholder will realize gain or loss in the taxable year in which the exchange is made, measured by the difference between (a) the fair market value of the Bangor Punta Debentures, Common Stock and Warrants on the date of such exchange, and (b) the cost or other basis for the Piper common stock exchanged.

(d) Each Piper stockholder for whose account fractional interests are sold will have short-term capital gain or loss (if he is entitled to capital gain treatment upon the exchange) measured by the difference, if any, between (i) the net proceeds of sale of the fractional interest and (ii) the market value of the fractional interest on the effective date of the exchange.

(e) The income tax bases of the Debentures, Common Stock and Warrants received will be the respective fair market values thereof on the date of the acceptance by Bangor Punta of the tendered Piper common stock. The holding period for such Debentures, Common Stock and Warrants will commence on such date.

Section 1232 of the Internal Revenue Code and the Regulations thereunder provide in effect that where debt obligations are issued as a part of a package of securities, there may be an "original issue discount" if it should be determined that the debt obligations would have been issued at a lower price without such other securities. In order to determine whether an original issue discount exists as to the Debentures, a determination would have to be made as to what portion of Piper common stock is being exchanged for the Debentures and what portion for the Common Stock and Warrants based upon the respective fair market values of the Debentures, Common Stock and Warrants on the date of the acceptance by Bangor Punta of the tendered Piper common stock. The fair market value of the portion of the Piper common stock being exchanged for the Debentures would then be compared with the principal amount of the Debentures, but if such fair market value is more than 93.75% of the principal amount of the Debentures, there would be no original issue discount. The effect of original issue discount under Section 1232 is that any part of the gain realized upon the sale or retirement of obligations subject thereto, which is attributable to such discount, may be ordinary income rather than capital gain. There is some conflict in the authorities as to whether an original issue discount can be created where debt obligations are issued for property (for example, in exchange for stock) rather than for cash.

In February, 1969 a Bill was introduced in the United States House of Representatives (H. R. 7489) which would, under certain circumstances, limit the deduction of interest on indebtedness incurred in connection with the acquisition by a corporation of stock of another corporation for federal income tax

purposes. In the opinion of said tax counsel, in its present form such Bill would not apply to indebtedness incurred by Bangor Punta in connection with the Exchange Offers unless it was determined that more than 35% of the "consideration" for the Piper stock acquired by Bangor Punta pursuant to a "plan" consisted of Debentures. If such a determination was made, interest on the portion of the indebtedness in excess of 35% would be disallowed. In its present form such Bill would not affect the income tax consequences to exchanging shareholders.

It is suggested that, in the event of any questions, Piper stockholders consult their tax advisers.

Certain Other Aspects of the Exchange Offers:

Bangor Punta reserves the right in its sole discretion to make offers subsequent to the expiration of the Exchange Offers for shares of Piper common stock on a cash or exchange-of-securities basis, by merger or otherwise, which offers could differ in terms from the Exchange Offers described herein.

In the event that, as a result of the acquisition of less than 50% of the outstanding voting securities of Piper, the Investment Company Act of 1940 should or might become applicable to Bangor Punta, Bangor Punta would take appropriate steps seeking to render such Act inapplicable or to obtain exemption from its provisions. The entering of any such exemptive order would depend upon certain findings by the Securities and Exchange Commission, and, accordingly, no assurances can be given that such an order would be entered. If Bangor Punta were to become an "investment company" within the meaning of such Act, and could not obtain an exemption or otherwise take steps seeking to render the Act inapplicable, Bangor Punta would be required to register as an "investment company" and would become subject to the detailed regulatory provisions of such Act.

A bill, entitled the "Pennsylvania Take-Over Regulation Law of 1969", was introduced in the General Assembly of the Commonwealth of Pennsylvania on April 15, 1969. This bill, which was referred to Committees of the respective houses of the General Assembly, would prohibit any person from purchasing more than a total of 10% of any class of securities of certain Pennsylvania corporations, unless such purchase was approved by the board of directors, or the holders of a majority of the outstanding shares of such corporation, or by the Secretary of the Commonwealth as being fair and equitable. Certain standards to be considered by such Secretary in making such determination are set out in the bill. It is not possible at this time to predict whether this legislation will be enacted into law, or, if enacted, what provisions it will contain.

In compliance with Federal Trade Commission requirements of notification to the FTC prior to consummation of acquisitions or mergers involving companies with combined assets of $250,000,000 or more, Bangor Punta on May 13, 1969 notified the FTC of the Agreement and of its intention to acquire more than 50% of Piper common stock. Bangor Punta filed a special report relating to the Exchange Offers with the FTC pursuant to the Commission's requirements on June 2, 1969. Under the terms of the resolution of the FTC, the notice and special report are to be filed 60 days before Bangor Punta acquires 50% or more of the outstanding shares of Piper common stock.

On July 3, 1969 Bangor Punta was made a party to an action brought in United District Court for the Southern District of New York by Lillian Stull against Grumman Aircraft Engineering Corporation, Chris-Craft, Piper and certain officers and directors of Piper. As to Bangor Punta the complaint alleges an intention to buy Piper shares at an inadequate price and to wrongly merge with Piper and seeks to restrain any such merger and money damages.

See also "Information Concerning Piper—Litigation and Insurance".

Use of Proceeds:

Bangor Punta does not know when and to what extent the Warrants may from time to time be exercised, if at all, and accordingly has no definite plans for the use of the proceeds to be received upon any such exercise. It is presently contemplated that any such proceeds, when received, will be used for general corporate purposes.

COMPARATIVE PER SHARE DATA

	Per Share of Common Stock	
	Bangor	Piper (1)
Net Income of Bangor Punta and Piper for the year ended March 31, 1969 on Common and Common Equivalent Shares:		
Before exchange:		
Income before extraordinary items	$ 2.33	$ 2.36
Extraordinary items	.71	—
Net income	$ 3.04	$ 2.36
Pro forma after exchange, assuming Piper is:		
37.84% owned:		
Income before extraordinary item	$ 2.06	$ 2.06
Extraordinary item	.62	.62
	$ 2.68	2.68(1a)
Interest on debenture		1.24(5)
		$ 3.92
51% owned:		
Income before extraordinary item	$ 2.02	$ 2.42
Extraordinary item	.56	.67
	$ 2.58	3.09(1b)
Interest on debenture		2.56(6)
		$ 5.65
100% owned:		
Income before extraordinary item	$ 1.81	$ 2.17
Extraordinary item	.45	.54
	$ 2.26	2.71(1b)
Interest on debenture		2.56(6)
		$ 5.27
Net income of Bangor Punta and Piper for the year ended March 31, 1969 on a fully diluted basis:		
Before exchange	$ 2.74	$ 2.36(2)
Pro forma after exchange, assuming Piper is:		
37.84% owned:		
Net income	$ 2.47	$ 3.14(7)
51% owned:		
Net income	$ 2.39	$ 4.22(8)
100% owned:		
Net income	$ 2.17	$ 3.83(8)

COMPARATIVE PER SHARE DATA—(Continued)

	Per Share of Common Stock	
	Bangor	Piper(1)
Cash dividends and interest on debenture:		
Before exchange—dividend	$ .60	$ 1.40
After exchange:		
Limited Exchange Offer:		
Dividend on one share	$ .60	$ .60
Interest on debenture		1.24(5)
		$ 1.84
General Exchange Offer:		
Dividend on 1.2 shares		.72
Interest on debenture		2.56(6)
		$ 3.28
Book Values—Bangor Punta and Piper, both as of March 31, 1969:		
On outstanding common shares(4):		
Before exchange	$27.85(a)	$22.36
Pro forma after exchange, assuming Piper is owned:		
37.84%	$29.45(b)	$44.45(3a)(b)
51%	$32.60(c)	$70.12(3b)(e)
100%	$36.19(d)	$74.43(3b)(f)

Includes "excess of cost over net assets of companies acquired" as follows:

(a) $13.83
(b) $11.94
(c) $24.15
(d) $30.33
(e) $28.98
(f) $36.40

NOTES:

(1) Per share of Piper common stock tendered under the Exchange Offers.

(a) Equivalent to one share of Bangor Punta common stock.

(b) Equivalent to 1.2 shares of Bangor Punta common stock (assuming for this purpose the Limited Exchange Offer is amended to provide for the same exchange as the General Exchange Offer).

(2) The exercise of Piper's stock options would result in no significant dilution.

(3) Book value of Piper common stock tendered under Exchange Offers:

(a) Equivalent to one share of Bangor Punta common stock under the Limited Exchange Offer plus $15 principal amount of 8¼% convertible subordinated debentures.

(b) Equivalent to 1.2 shares of Bangor Punta common stock plus $31 principal amount of 8¼% convertible subordinated debentures (assuming for this purpose the Limited Exchange Offer is amended to provide for the same exchange as the General Exchange Offer).

(4) After providing for involuntary liquidation preference of preference stocks.

(5) Interest on $15 principal amount of 8¼% convertible subordinated debentures.

(6) Interest on $31 principal amount of 8¼% convertible subordinated debentures (assuming for this purpose the Limited Exchange Offer is amended to provide for the same exchange as the General Exchange Offer).

(7) Represents amount applicable to 1.2727 shares of Bangor Punta common stock, representing 1 share of Bangor Punta common stock receivable under the Limited Exchange Offer and .2727 share receivable upon conversion of $15 principal amount of 8¼% convertible subordinated debentures. No effect has been given to exercise of warrants, since holder would be required to pay $55 in cash.

(8) Represents amount applicable to 1.7636 shares of Bangor Punta common stock representing 1.2 shares of Bangor Punta common stock receivable under the exchange offers and .5636 share receivable upon conversion of $31 principal amount of 8¼% convertible subordinated debentures (assuming for this purpose the Limited Exchange Offer is amended to provide for the same exchange as the General Exchange Offer).

MARKET PRICES OF BANGOR PUNTA SECURITIES

The following table sets forth the high and low sales prices of Bangor Punta Common Stock on the New York Stock Exchange since January 1, 1967:

Period	High	Low
1967:		
First Quarter	29¼	23⅞
Second Quarter	44	23⅞
Third Quarter	50⅞	41¼
Fourth Quarter	55	36¼
1968:		
First Quarter	61⅛	35⅝
Second Quarter	51⅝	43
Third Quarter	47	37⅛
Fourth Quarter	49¾	41¾
1969:		
First Quarter	50⅜	32⅞
Second Quarter	40¼	31⅝
Third Quarter (through July 17)	32½	23⅝

Bangor Punta's Warrants—Series C were issued on February 27, 1969. From that date until March 31, 1969 the high bid and low asked prices in the over-the-counter market as reported by the National Quotation Bureau Incorporated were 12 and 9, respectively. During the period April 1, 1969 to July 17, 1969 such high bid and low asked prices were 11½ and 7, respectively. Since the date of the issuance of the Warrants there has been only limited trading activity in them, and there can be no assurance that the issuance of a substantial number of Warrants pursuant to the Exchange Offers will not affect the market price.

The closing sales price for Bangor Punta Common Stock on the New York Stock Exchange on May 7, 1969 was 32¾. On May 8, 1969 Bangor Punta and the other parties thereto entered into the Agreement and immediately announced such action. On May 9, 1969 the closing sales price for Bangor Punta Common Stock on the New York Stock Exchange was 34⅜. On July 17, 1969 such closing sale price for such Common Stock and the reported bid price for such Warrants were 24½ and 7½, respectively.

Bid and asked prices in the over-the-counter market do not necessarily represent actual transactions, but only the range in which securities dealers propose to do business with each other with a differential in price sometimes serving, in lieu of a commission, to compensate the dealer for services.

MARKET PRICES OF PIPER AIRCRAFT CORPORATION COMMON STOCK

The following table sets forth the high and low sales prices of Piper common stock on the New York Stock Exchange since January 1, 1967:

Period	High	Low
1967:		
First Quarter	52	39½
Second Quarter	56½	43
Third Quarter	56¼	48⅜
Fourth Quarter	56	44⅝
1968:		
First Quarter	54½	48
Second Quarter	72¼	49⅛
Third Quarter	65¼	51
Fourth Quarter	55¾	51¼
1969:		
First Quarter	73¾	50⅞
Second Quarter	79	64¼
Third Quarter (through July 17)	74½	62

On May 7, 1969, May 9, 1969 and May 26, 1969 the closing sales prices for Piper common stock on the New York Stock Exchange were 70, 72½ and 75¼ respectively.

Trading in Piper common stock was suspended on the New York Stock Exchange during the period April 7, 1969 through April 18, 1969. During such period the high and low prices for Piper common stock on the Philadelphia-Baltimore-Washington Stock Exchange were 69½ and 64¼ respectively.

CAPITALIZATION

The capitalization of Bangor Punta and of Piper at March 31, 1969, and the pro forma capitalization assuming Bangor Punta owns 37.84%, 51%, and 100% respectively, of Piper's common stock after the Exchange Offers, are as follows:

	Bangor Punta(1)	Piper(1)	Pro forma Assuming 37.84% Ownership	Pro forma Assuming 51% Ownership	Pro forma Assuming 100% Ownership
Short-term borrowing:					
Crop loans from unconsolidated finance subsidiary	$4,285,444	$ —	$4,285,444	$4,285,444	$4,285,444
7% to 7¾% bank loans	4,975,000	—	4,975,000	4,975,000	4,975,000
7% notes payable to bank	—	2,000,000	—	2,000,000	2,000,000
Insurance company loans(2):					
6% joint and several promissory notes due March 1, 1983	25,200,000	—	25,200,000	25,200,000	25,200,000
6% joint and several convertible notes due March 1, 1983	4,200,000	—	4,200,000	4,200,000	4,200,000
7¼% joint and several notes due March 1, 1983(12a)	20,000,000	—	20,000,000	20,000,000	20,000,000
5.78% note payable due 1980	5,953,500	—	5,953,500	5,953,500	5,953,500
5½% and 5⅝% notes payable due 1983	4,180,000	—	4,180,000	4,180,000	4,180,000
6% note payable due 1974	1,004,236	—	1,004,236	1,004,236	1,004,236
Bank loans(2):					
Term notes, interest 1% over prime rate(11)	7,200,000	—	7,200,000	7,200,000	7,200,000
Revolving loan, prime interest rate(11)	30,000,000	—	30,000,000	30,000,000	30,000,000
Other bank loans, 4% to 6¾%	1,733,670	—	1,733,670	1,733,670	1,733,670
6½% notes payable	1,448,400	—	1,448,400	1,448,400	1,448,400
5⅞% notes due 1975-1984	—	10,000,000	—	10,000,000	10,000,000
Other debt	928,707	—	928,707	928,707	928,707
Subordinated Indebtedness:					
5¾% subordinated bonds due 1992(3)	19,241,000	—	19,241,000	19,241,000	19,241,000
8¼% convertible subordinated debentures due 1994(15)	—	—	7,516,350(17a)	22,232,084(17b)	47,172,390(17c)
Indebtedness of Bangor Punta International Capital Company:					
5¼% guaranteed convertible debentures due 1988(4)	15,000,000	—	15,000,000	15,000,000	15,000,000
Indebtedness of Unconsolidated Subsidiaries of Bangor Punta:					
Bangor and Aroostook Railroad Company and its subsidiaries(5):					
Sundry short term indebtedness	28,940	—	28,940	28,940	28,940
2¾% to 6¾% equipment obligations	17,854,043	—	17,854,043	17,854,043	17,854,043
4¼% to 5¼% first mortgage bonds	6,775,000	—	6,775,000	6,775,000	6,775,000
Other long-term debt	3,058,000	—	3,058,000	3,058,000	3,058,000
Prodco Finance Co.(6):					
Grower Loan Financing—obligations payable to banks, 7½% to 8¼%, partially secured by loans and advances to growers	$16,306,369	$ —	$16,306,369	$16,306,369	$16,306,369

	Bangor Punta(1)	Piper(1)	Pro forma Assuming 37.84% Ownership	Pro forma Assuming 51% Ownership	Pro forma Assuming 100% Ownership
Equity:					
Bangor Punta(7):					
Preference stock, $1 par value, 10,000,000 shares authorized(8):					
742,358 shares designated $2.00 convertible preference stock—Series C	534,450 shs.(10)	—	534,450 shs.(10)	534,450 shs.(10)	534,450 shs.(10)
620,490 shares designated $1.25 convertible preference stock (9)	209,442 shs.(10)	—	209,442 shs.(10)	209,442 shs.(10)	209,442 shs.(10)
Common stock, $1 par value, 20,000,000 shares authorized(13)	3,148,759 shs.(10)	—	3,649,849 shs.(10)(17a)	4,009,356 shs.(10)(17b)	4,974,787 shs.(10)(17c)
Common stock purchase warrants(12a)(12b)	567,815 wts.	—	1,670,213 wts.(17a)	3,077,889 wts.(17b)	5,893,730 wts.(17c)
Piper:					
Preferred stock, $5 par value, 100,000 shares authorized	—	—	—	—	—
Common stock, $1 par value, 5,000,000 shares authorized(14)	—	1,641,890 shs.(16)	1,020,600 shs.(18)	804,526 shs.(18)	— (18)

Notes:

1. All indebtedness, as shown, includes portion due within one year.

2. See Note 4 of Notes to Consolidated Financial Statements of Bangor Punta for information as to installments due and Notes 3 and 4 of Notes to Consolidated Financial Statements of Bangor Punta as to pledge of properties.

3. The 5¾% subordinated bonds are due November 15, 1992 and are secured by the pledge of all shares of common stock of Producers Cotton Oil Company owned by the Company. A mortgage of certain real estate interests owned by a subsidiary of Producers, subject to existing liens, may be substituted for the pledged shares. Deficiencies after realization on the pledged security are subordinated to all existing and future senior indebtedness, as defined. The bonds are entitled to an annual purchase fund from 1968 through 1977 and to an annual sinking fund commencing in 1978 and are, subject to certain restrictions, redeemable at the option of the Company.

4. The 5¼% guaranteed convertible debentures due July 1, 1988 are unsecured direct obligations of Bangor Punta International Capital Company, are guaranteed jointly and severally by Bangor Punta Corporation and Bangor Punta Operations, Inc. and are convertible from January 15, 1969 into Bangor Punta Corporation common stock at $55 a share.

5. Neither Bangor Punta nor any of its subsidiaries, other than the Railroad and the Railroad's subsidiaries, has any liability in respect of this indebtedness, nor are any assets, other than assets of the Railroad and its subsidiaries, subject to such indebtedness.

6. Producers Cotton Oil Company, a subsidiary of Bangor Punta, has obligated itself to loan to Prodco Finance Co. up to $4,000,000 subordinated to the bank loans, and has also guaranteed 10% of the maximum amount of short-term loans advanced by certain banks to Prodco during the year and with respect to the principal bank has guaranteed the 10%, or $2,000,000 whichever is greater. In addition, Producers guarantees up to $7,000,000 of long-term funds borrowed from certain banks to finance grower loans on a longer term basis.

7. Bangor Punta's Certificate of Incorporation authorizes the issuance from time to time in series, with rights and preferences fixed by the Board of Directors, of 100,000 shares of preferred stock. The Board of Directors has no intention of issuing any of these shares.

8. Issuable in series from time to time with rights and preferences fixed by the Board of Directors. The Company intends to authorize and issue 190,000 shares of a new $3.00 convertible preference stock—Series D in connection with the acquisition of Crosman Arms Company Inc. See "Development of Bangor Punta's Business—Acquisitions by Bangor Punta since Combination". See "Description of Bangor Punta's Capital Stock" for information with regard to the rights and preferences of the preference stock.

9. Of which, 1,375 shares were reserved for issuance upon the exercise of options.

10. Excluding 14,101 shares of Bangor Punta $1.25 convertible preference stock, 1,500 shares of $2 convertible preference stock, and 77,285 shares of Bangor Punta common stock held in Bangor Punta's treasury at March 31, 1969.

11. On May 22, 1969 the term loan was increased to $25,000,000 and a portion of the proceeds was used to reduce the revolving loan to $22,000,000. The term loan is due in quarterly installments of $900,000 each commencing June 30, 1969 with a balance due on March 31, 1976.

(Footnotes continued on following page)

12. (a) Pursuant to a Note and Warrant Agreement dated July 31, 1968, the 7¼% joint and several notes due March 1, 1983 were issued together with 55,000 Series A warrants and 60,000 Series B warrants to purchase a total of 115,000 shares of Bangor Punta common stock at $55 a share, subject to adjustment. Any portion of the loan not used for "approved acquisitions", as defined, by November 1, 1970, must, at the option of the holders of such notes and by notice given to Bangor Punta prior to May 1, 1971 be repaid. In the event of repayment, the lender must surrender the proportionate number of 60,000 Series B warrants originally received. Piper Aircraft Corporation is an "Approved Acquisition".

(b) On December 3, 1968, the Board of Directors declared a special distribution to holders of common stock of .15 of a twelve-year warrant payable on February 28, 1969 to stockholders of record on January 31, 1969. Each full warrant will entitle the holder to purchase one share of common stock at $55 per share as compared with the market price of the common stock on the date of declaration of $47 per share. Such distribution has been recorded at the fair value of such warrant, based upon the quoted market prices during an initial trading period.

13. Of which 1,811,078 shares were reserved for issuance upon conversion of insurance company convertible notes, preference stock, and 5¼% guaranteed convertible debentures; exercise of options; and exercise of the warrants referred to in Note 12. Additional shares are issuable to the sellers of two acquired businesses based on their earnings and the future market price of the common stock; assuming, arbitrarily, that the earnings of the businesses entitle the sellers to the maximum consideration and the market price of the common stock is the same as it was at March 31, 1969, a total of 119,138 additional shares will be issued.

14. Of which 6,950 shares were reserved for exercise of stock options.

15. For information regarding the 8¼% convertible subordinated debentures due 1994, see "Description of the Debentures" elsewhere herein.

16. Of which Bangor Punta owns 120,200 shares.

17. (a) Assuming that only the 501,090 shares of Piper common stock owned by the parties to the Agreement are tendered pursuant to the Exchange Offers, Bangor Punta will own 621,290 shares, or 37.84%, of Piper's oustanding common stock. For each share so tendered, Bangor Punta will issue one share of common stock, $15 of 8¼% convertible subordinated debentures due 1994, and 2.2 warrants. This would result in the issuance of 501,090 shares of common stock, $7,516,350 of 8¼% convertible subordinated debentures, and 1,102,398 warrants.

(b) Assuming that 717,164 shares of Piper common stock are tendered pursuant to the Exchange Offers, Bangor Punta will own 837,364 shares, or 51%, of Piper's outstanding common stock. For each share so tendered, Bangor Punta will issue (assuming for such purposes the Limited Exchange Offer is amended to provide for the same exchange as the General Exchange Offer), 1.2 shares of common stock, $31 of 8¼% convertible subordinated debentures due 1994, and 3.5 warrants. This would result in the issuance of 860,597 shares of common stock, $22,232,084 of 8¼% convertible subordinated debentures, and 2,510,074 warrants.

(c) Assuming that all the shares of Piper common stock presently outstanding and not owned by Bangor Punta are tendered, Bangor Punta will own 100% of Piper's outstanding common stock and for each share of Piper common stock so tendered, Bangor Punta will issue (assuming for such purposes the Limited Exchange Offer is amended to provide for the same exchange as the General Exchange Offer) 1.2 shares of common stock, $31 of 8¼% convertible subordinated debentures due 1994, and 3.5 warrants. This would result in the issuance by Bangor Punta of 1,826,028 shares of common stock, $47,172,390 of 8¼% convertible subordinated debentures, and 5,325,915 warrants.

18. Represents the shares of Piper common stock outstanding and not owned by Bangor Punta under each assumption.

BANGOR PUNTA CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

The following statement of earnings of Bangor Punta Corporation and subsidiary companies for the five years ended September 30, 1968 has been prepared, in so far as the year 1964 is concerned, by combining the earnings of Punta Alegre Sugar Corporation and subsidiaries for the year ended September 30, 1964 with those of Bangor & Aroostook Corporation and subsidiary companies for the 12 months ended September 30, 1964. The statement of earnings for the four years ended September 30, 1968 has been examined by Peat, Marwick, Mitchell & Co., independent certified public accountants, whose opinion thereon appears elsewhere herein. The information for the four years ended September 30, 1968 should be read in conjunction with the consolidated statements and related notes included herein. With respect to the figures for the six-month periods ended March 31, 1968 and March 31, 1969 which are unaudited, the management of the Company believes that all adjustments (none of which were other than normal recurring accruals) necessary to a fair statement of the results for such interim periods have been included.

	Year					Six Months Ended March 31	
	1964	1965	1966	1967	1968	1968	1969
	Not Reported On By Independent Certified Public Accountants	(Thousands of Dollars)				(Unaudited)	
INCOME:							
Sales (excluding Railroad revenues, see Note F)	$41,851	$63,154	$117,058	$142,996	$240,106	$104,704	$159,596
Dividends and interest (exclusive of dividends from Railroad)	75	7	234	197	1,740	485	1,106
Other	53	67	102	254	632	385	224
	41,979	63,228	117,394	143,447	242,478	105,574	160,926
EXPENSES:							
Cost of sales and operating expenses	32,960	50,973	92,207	112,274	188,697	82,008	127,438
Selling, general and administrative	6,005	8,129	15,384	19,883	33,188	14,249	21,429
Interest and debt expense	678	812	2,499	3,275	7,086	2,912	4,321
	39,643	59,914	110,090	135,432	228,971	99,169	153,188
Operating income before income of Railroad	2,336	3,314	7,304	8,015	13,507	6,405	7,738
Equity in pre-tax income of Railroad (not consolidated) (Note F)	1,140	1,634	912	374	59	(640)	(467)
Operating income of presently owned properties	3,476	4,948	8,216	8,389	13,566	5,765	7,271
Operating income (loss) of properties sold	931	77	(4)	—	—	—	—
Income before Federal income taxes	4,407	5,025	8,212	8,389	13,566	5,765	7,271
Provision for Federal income taxes (Note H)	1,958	2,420	3,958	2,700	6,000	2,663	3,605
Earnings before minority interest	2,449	2,605	4,254	5,689	7,566	3,102	3,666
Deduct minority interest in earnings (loss) of consolidated subsidiaries	—	—	4	118	271	222	(15)
Earnings before extraordinary items	2,449	2,605	4,250	5,571	7,295	2,880	3,681
EXTRAORDINARY ITEMS:							
Tax benefit from operating loss carryover	982	2,354	3,357	—	—	—	—
Net gain (loss) on sales of properties and securities (including equity in gains realized by Railroad—1964: $151; 1965: $309; 1966: $372), net of tax effect, 1964: $106; 1968: $1,000; 1969: $903	318	619	(2,038)	—	949	—	1,351
	1,300	2,973	1,319	—	949	—	1,351
Net income (Note A)	$ 3,749	$ 5,578	$ 5,569	$ 5,571	$ 8,244	$ 2,880	$ 5,032
Dividend requirements on preference stock (other than common stock equivalents)	—	—	—	—	143	—	550
Net income applicable to common and common equivalent shares	$ 3,749	$ 5,578	$ 5,569	$ 5,571	$ 8,101	$ 2,880	$ 4,482

	Year					Six Months Ended March 31	
	1964	1965	1966	1967	1968	1968	1969
	Not Reported On By Independent Certified Public Accountants	(Thousands of Dollars)				(Unaudited)	
Average number of common and common equivalent shares outstanding and issuable for pooled companies during each year (in thousands) (Note B)	1,954	1,953	2,023	2,402	3,052	2,957	3,257
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE (Note B):							
Earnings from continuing operations	$1.01	$1.31	$2.10	$2.44	$2.40	$1.03	$ .96
Earnings from discontinued operations	.24	.02	—	—	—	—	—
Earnings before extraordinary items	1.25	1.33	2.10	$2.44	$2.40	$1.03	$ .96
Extraordinary items:							
Tax benefit from operating loss carry-over	.51	1.21	1.66	—	—	—	—
Net gain (loss) on sales of properties and securities	.16	.32	(1.01)	—	.31	—	.41
	.67	1.53	.65	—	.31	—	.41
Net income	$1.92	$2.86	$2.75	$2.44	$2.71	$1.03	$1.37
PER SHARE EARNINGS—ASSUMING FULL DILUTION (Note C):							
Net income					$2.55	$1.00	$1.23
Cash dividends declared on Common Stock (Note D)	$—	$—	$.10	$ .50	$ .60	$ .30	$ .30

(A) The above Consolidated Statement of Earnings differs for certain periods from the statement of earnings originally published by the Company principally because of the retroactive inclusion of the operations of companies subsequently acquired on a "pooling of interests" basis and the elimination of the sales and expenses—and the separate presentation of the net operating income—of properties which have been sold.

A reconciliation of sales and other revenue and net income as originally published for each of the periods subsequent to the merger of Punta Alegre Sugar Corporation and Bangor & Aroostook Corporation and the amounts shown above in the Consolidated Statement of Earnings follows:

	Year				
	1964	1965	1966	1967	1968
	(Thousands of Dollars)				
Sales and other revenues (excluding Railroad revenues):					
As originally published	$66,071	$86,287	$115,513	$143,447	$242,478
Pooled companies retroactively included	3,077	3,696	1,881	—	—
	69,148	89,983	117,394	143,447	242,478
Deduct:					
Sales and other revenues of properties sold	27,028	26,190	—	—	—
Dividends received from Railroad	141	565	—	—	—
	27,169	26,755	—	—	—
As shown above	$41,979	$63,228	$117,394	$143,447	$242,478
Net Income:					
As originally published and inclusive of extraordinary items	$ 3,599	$ 5,409	$ 5,526	$ 5,571	$ 8,244
Pooled companies retroactively included	150	169	43	—	—
As shown above	$ 3,749	$ 5,578	$ 5,569	$ 5,571	$ 8,244

(B) Earnings per share have been computed based on the average number of common shares outstanding and issuable for pooled companies during each year after treating the $1.25 convertible preference stock, and 5½% convertible subordinated debentures (called for redemption on September 18, 1968) as Common Stock equivalents. Effect has been given to the reduction of interest expense, net of income tax, which would have resulted from the conversion of the 5½% convertible subordinated debentures and after deducting dividends on the $2.00 Convertible Preference Stock—Series C.

Earnings per common and common equivalent share for 1967 and 1968 have been redetermined pursuant to the criteria contained in Accounting Principles Board Opinion No. 9, such election being provided for in APB Opinion 15 issued in May 1969. Amounts previously reported by the Company were computed based on an opinion exposure draft of the Accounting Principles Board which was never adopted. The redetermination, based on currently approved criteria, resulted in the 6% joint and several convertible notes due March 1, 1983 and the $2.00 Convertible Preference Stock—Series C being classified as senior securities. The changes in earnings per common and common equivalent shares for the years ended September 30, 1967 and 1968 are as follows: (a) based on criteria in exposure draft—before extraordinary items, $2.41 in 1967 and $2.32 in 1968; and after extraordinary items, $2.41 in 1967 and $2.61 in 1968, and (b) based on criteria in Opinion 9—before extraordinary items, $2.44 in 1967 and $2.40 in 1968; and after extraordinary items, $2.44 in 1967 and $2.71 in 1968.

(C) Per share earnings assuming full dilution have been computed assuming conversion of 5¼% guaranteed convertible debentures, 6% joint and several convertible notes due March 1, 1983, and $2.00 Convertible Preference Stock—Series C, and assuming exercise of stock options and warrants outstanding at the end of each period when the current market value of the option stock was in excess of the exercise price, adjusted for the acquisition of shares from the proceeds. Effect has been given to the reduction of interest expense, net of income tax, which would have resulted from the conversion of the 5¼% guaranteed convertible debentures and 6% convertible notes.

(D) Excludes special distribution as of February 28, 1968 of 15/100 warrant for each share of common stock; each full warrant is exercisable prior to March 31, 1981 to purchase one share of common stock at $55.00 per share.

(E) For Principles of Consolidation see Note 1 of Notes to Consolidated Financial Statements of Bangor Punta Corporation and Consolidated Subsidiaries.

(F) The equity in the pre-tax income of Bangor and Aroostook Railroad Company and Subsidiaries (Railroad) and the dividends paid to the parent are summarized as follows:

	Year					Six Months Ended March 31,	
	1964	1965	1966	1967	1968	1968	1969
	(Thousands of Dollars)					(Unaudited)	
	Not Reported On By Independent Certified Public Accountants						
Total revenues, excluding dividends from parent company	$15,485	$17,112	$ 16,936	$ 17,138	$ 16,417	$7,676	$8,092
Expenses and charges	14,329	15,449	16,011	16,759	16,357	8,325	8,565
Minority interest in income	16	29	13	5	1	(9)	(6)
	14,345	15,478	16,024	16,764	16,358	8,316	8,559
Equity in pre-tax income	$ 1,140	$ 1,634	$ 912	$ 374	$ 59	$ (640)	$ (467)
Dividends paid to parent	$ 141	$ 565	$ 585	$ 585	$ 35	$ 35	$ —

The high level of shipments attributable principally to Maine's widely marketed potato crop in 1965 resulted in a substantial increase in the Railroad's earnings and profit margin for that year. Since 1966 depreciation, interest charges and other costs associated with substantial additions to the Railroad's operating properties and wage increases and related payroll expenses, together with a slowdown in potato shipments, are responsible for decreasing earnings. See the Consolidated Statement of Income of Bangor and Aroostook Railroad Company and Subsidiaries included elsewhere herein.

(G) See Note 3 of Notes to Consolidated Financial Statements of Bangor Punta Corporation and Consolidated Subsidiaries for depreciation charges.

(H) For additional information regarding Federal income taxes, see Note 6 of Notes to Consolidated Financial Statements of Bangor Punta Corporation and Consolidated Subsidiaries and "Federal Income Taxes".

For the unaudited six-month periods the total revenues and operating income (before allocation of parent company interest expense and administrative overhead) attributable to consolidated operating units included in both periods and to acquisitions made since March 31, 1968 which have been accounted for as purchases, and unallocated corporate interest expense and administrative costs, are as follows:

	Six Months Ended March 31,			
	1968		1969	
	Total Revenues	Operating Income	Total Revenues	Operating Income
	(Thousands of Dollars)			
Consolidated operating units included in both periods	$ 96,758	$ 9,734	$103,248	$ 9,033
Acquisition of December 21, 1967	8,816	422	27,506	1,605
Acquisitions since March 31, 1968	—	—	30,172	2,288
	$105,574	10,156	$160,926	12,926
Less unallocated corporate interest expense and administrative costs		3,751		5,188
Operating income before income of Railroad		$ 6,405		$ 7,738

FEDERAL INCOME TAXES

Bangor Punta (then called Punta Alegre Sugar Corporation) and its domestic subsidiaries filed a consolidated Federal income tax return for the year ended September 30, 1960, claiming losses reflecting the seizure of their Cuban assets. The amount claimed as a net operating loss was $21,118,640.83. Bangor Punta has elected to carry forward the entire amount of the net operating loss as a "foreign expropriation loss" for 10 years (to 1970 unless sooner exhausted). The seizure of the Cuban assets also resulted in capital losses. The amount of such losses claimed on the return for 1960 was $1,147,797. This amount has been claimed as a consolidated capital loss carryover and has been applied to offset an approximately equivalent amount of capital gains realized in the years 1961 through 1965. If any portion of the amount claimed in 1960 as a net operating loss should ultimately be held to be a capital rather than an ordinary loss, such amount could be carried forward as a "foreign expropriation capital loss" through 1970 unless sooner exhausted.

In view of the scope and complexity of the statutory provisions, the regulations and rulings issued and the court decisions rendered thereunder, as well as the interpretations of prior law, assurance cannot be given prior to review by the Internal Revenue Service of Bangor Punta's Federal income tax returns for the years affected that the net operating loss claimed by Bangor Punta in its 1960 return can be carried forward and deducted in open or future years from all or any part of the earnings arising from assets acquired or to be acquired by Bangor Punta or its subsidiaries.

The Internal Revenue Service has completed its examination of the consolidated Federal income tax returns of Bangor Punta for the years 1960 through 1962 and has determined that no tax was due. The statute of limitations has now run with respect to those years and with respect to 1963. Bangor Punta's returns for the years 1964, 1965 and 1966 are currently being examined by the Internal Revenue Service.

The revenue agent's reports with respect to the examination of the 1960-1962 returns recommend, among other things, (i) certain adjustments in the amount of depreciation allowable with respect to the C-G-F grain elevator, and (ii) certain changes in the method of computing the amount of the net operating loss realized in 1960. Bangor Punta is not in agreement with the recommended adjustments and presently intends to protest them if they are again asserted on audit of the years subsequent to 1963.

Bangor Punta has claimed deductions based on the net operating loss carryover from 1960 in all subsequent years through the year ended September 30, 1967. On the returns as filed, deductions on account of the net operating loss carryover were claimed in amounts sufficient to offset consolidated Federal taxable income for fiscal years prior to 1967 and $6,953,061 of consolidated Federal taxable income for fiscal 1967.

Under the circumstances, assurance cannot now be given as to the total amount of loss carryovers that will ultimately be allowed. If all of the adjustments and changes proposed by the agent auditing the 1960-1962 returns were sustained, the loss carryover would nonetheless be sufficient to absorb Federal income taxes for 1963, 1964, 1965 and about 50% of the $3,357,000 that it is estimated would be payable for 1966 if no carryover were available. On the basis of present information, Messrs. Dewey, Ballantine, Bushby, Palmer & Wood, counsel to Bangor Punta in this matter, are of the opinion that the amount of carryover that will be allowed should be sufficient to offset all consolidated taxable income through 1966. On the recommendation of counsel, since October 1, 1966, Bangor Punta has accrued Federal income tax requirements in its financial statements on the assumption that no loss carryover was available after that date.

PIPER AIRCRAFT CORPORATION AND SUBSIDIARY

STATEMENT OF CONSOLIDATED INCOME

The following statement of consolidated income of Piper Aircraft Corporation and subsidiary for the five years ended September 30, 1968 has been examined by Arthur Young & Company, Certified Public Accountants, whose report with respect thereto appears elsewhere in this prospectus. The information for the six month periods ended March 31, 1968 and March 31, 1969 is unaudited, but includes all adjustments (consisting only of normal recurring accruals) which Piper's management considers necessary for a fair presentation of the results for such periods. The statement should be read in conjunction with the financial statements appearing elsewhere herein.

	Year Ended September 30,					Six Months Ended March 31,	
	1964	1965	1966	1967	1968	1968	1969
						(Unaudited)	
Sales	$54,378,377	$69,086,308	$81,312,624	$80,439,241	$96,723,812	$49,755,501	$51,376,599
Cost of sales	40,852,943	51,567,828	61,266,328	66,358,918	79,045,228	39,285,589	40,373,217
Gross profit from sales	13,525,434	17,518,480	20,046,296	14,080,323	17,678,584	10,469,912	11,003,382
Selling and shipping expenses	3,004,645	3,648,299	4,628,155	5,566,528	6,494,391	3,161,250	3,270,114
Administrative and general expenses	1,440,290	1,756,767	2,167,490	2,427,792	2,656,501	1,345,935	1,729,206
Operating profit	9,080,499	12,113,414	13,250,651	6,086,003	8,527,692	5,962,727	6,004,062
Interest and other income	290,081	274,464	441,097	368,501	322,988	152,897	132,792
Interest expense	—	—	(98,111)	(633,456)	(612,264)	(306,725)	(311,560)
Income before taxes	9,370,580	12,387,878	13,593,637	5,821,048	8,238,416	5,808,899	5,825,294
Provision for income taxes:							
Federal	4,480,000	5,700,000	6,227,000	2,618,000	4,047,000	2,867,000	2,860,000
State	410,000	490,000	496,000	212,000	328,000	213,942	237,000
	4,890,000	6,190,000	6,723,000	2,830,000	4,375,000	3,080,942	3,097,000(4)
Net income	$ 4,480,580	$ 6,197,878	$ 6,870,637	$ 2,991,048	$ 3,863,416	$ 2,727,957	$ 2,728,294(3)
Net income per share of common stock (Note 1)	$2.77	$3.82	$4.23	$1.83	$2.36	$1.66	$1.66(3)
Cash dividends per share of common stock (Note 2)	$1.00	$1.35	$1.50	$1.40	$1.40	$ .70	$ .70

NOTES:

(1) Net income per share of common stock has been computed based on average shares outstanding during each year after adjusting for issuance in fiscal 1965 of one additional share for each two shares previously outstanding.

(2) Cash dividends per share of common stock have been adjusted for the issuance in fiscal 1965 of one additional share for each two shares previously outstanding.

(3) Depreciation included above amounted to $777,167 in 1964, $804,315 in 1965, $934,833 in 1966, $1,562,299 in 1967 and $1,687,146 in 1968. Depreciation for the six month periods ended March 31, 1968 and March 31, 1969 amounted to $885,183 and $649,831, respectively. Effective October 1, 1968 Piper changed its method of computing depreciation on certain acquisitions subsequent to December 31, 1953 from the sum of the year's digits and double declining balance methods to the straight line method. After considering the effect on inventories and applicable deferred income taxes, this change increased net income and net income per share for the six months ended March 31, 1969 by $117,000 and $0.07, respectively.

(4) The provision for income taxes includes deferred taxes of $188,000 in the six months ended March 31, 1969 relating to the difference between depreciation reflected on the books and that claimed for tax purposes. Investment tax credits of $15,131 in 1964, $54,525 in 1965, $68,923 in 1966, $52,624 in 1967, $72,896 in 1968 and $27,000 and $25,500 in the six month periods ended March 31, 1968 and 1969 have been applied as a reduction of the provision for federal income tax. The provision for the six months ended March 31, 1968 has been adjusted to reflect the Federal tax surcharge.

The reduced earnings for 1967 were the results of a combination of several factors. While total dollars of sales were approximately the same as in 1966, sales for 1967 included higher volumes of the lower priced models which produce lower margins. Programs initiated to increase Piper's production facilities and improve its competitive position in the industry involved increased overhead costs which, in the absence of the higher sales volume anticipated for the year, contributed to lower profit margins. The demand for the Cherokee models required expansion of the labor force, and the training of these new employees resulted in higher than normal production cost. The introduction of the Navajo and the Cherokee Arrow required higher production start up costs, which are normal to new production models. Interest on borrowed capital needed to finance plant expansion and inventories of new models also became a significant factor in 1967. Operating results for 1967 also reflected a significant write down of inventory in the fourth quarter to adjust higher production costs incurred early in the year to the lower costs being experienced at the end of the year when volume and efficiency had increased.

Gross dollar volume and net income in 1968 would have been appreciably higher had production at the Lock Haven plant been able to keep pace with the increased demand for Navajos and Aztecs, which developed late in the fiscal year. Production losses resulted from the introduction of new models and the transfer of certain parts manufacturing operations from Lock Haven to newly acquired plants at Quehanna and Renovo. Production interruptions were also suffered at both the Lock Haven and Vero Beach plants from the results of a prolonged strike at Piper's engine supplier's plant. Net income was also adversely affected late in the year by increased provisions to reserves for doubtful receivables, primarily as a result of the substantial increases in sales to customers located outside the United States with proportionately greater collection risks than Piper has experienced in domestic business.

With respect to the earnings figures for the six months ended March 31, 1969, a change in the method of computing depreciation effective October 1, 1968 increased six-month earnings by $.07 per share. The decline in net income before such accounting change in the first six months of fiscal 1969 as compared to the same 1968 period was due primarily to increases in certain general and administrative expenses, particularly products liability insurance premiums and outside services expense.

In April 1969 Piper made an agreeement to pay $155,000 (net after applicable income taxes) in settlement of litigation instituted by Jonas Aircraft & Arms Company, Inc. in 1964.

PRO FORMA STATEMENTS OF INCOME

The following pro forma statements are based on the operations of Bangor Punta and Piper for twelve months ended March 31, 1969, assuming Bangor Punta owned (a) 37.84% or (b) 51% or (c) 100% of Piper common stock as of the beginning of the period. Reference is made to the separate financial statements and notes thereto included elsewhere herein.

	Bangor Punta	Piper	Pro Forma Assuming Piper is owned 37.84%	51%	100%
	(Thousands of Dollars)				
Sales and other income	$297,830	$98,648	$298,700	$396,478	$396,478
Cost of sales and operating expenses	234,127	80,133	234,127	314,260	314,260
Selling, general and administrative	40,368	9,994	40,368	50,362	50,362
Interest and debt expense	8,495	617	9,810	11,664	13,760
	282,990	90,744	284,305	376,286	378,382
Operating income before income of Railroad	14,840	7,904	14,395	20,192	18,096
Equity in pretax income of Railroad	232	—	232	232	232
Income before Federal income taxes	15,072	7,904	14,627	20,424	18,328
Provision for Federal income taxes	6,942	4,040	6,326	9,655	8,565
Combined net income before minority interest	8,130	3,864	8,301	10,769	9,763
Minority interest in earnings of consolidated subsidiaries	34	—	34	1,927	34
Historical and pro forma net income before extraordinary items	8,096	3,864	8,267	8,842	9,729
Extraordinary items	2,300	—	2,300	2,300	2,300
Historical and pro forma net income	10,396	3,864	10,567	11,142	12,029
Dividend requirements on preference stock (other than common stock equivalents)	693	—	693	693	693
Historical and pro forma net income applicable to common and common equivalent shares	$ 9,703	$ 3,864	$ 9,874	$ 10,449	$ 11,336
Earnings per common and common equivalent shares (Note 2)					
Earnings before extraordinary items	$ 2.33	$ 2.36	$ 2.06	$ 2.02	$ 1.81
Extraordinary items	.71	—	.62	.56	.45
Net income	$ 3.04	$ 2.36	$ 2.68	$ 2.58	$ 2.26
Earnings per share on fully diluted basis (Note 3)	$ 2.74		$ 2.47	$ 2.39	$ 2.17

(1) Bangor Punta has acquired 120,200 shares of Piper common stock for a cash consideration of $9,435,540. If Bangor Punta acquires a majority interest in Piper common stock pursuant to the Exchange Offers, the accounts of Piper will be consolidated with those of Bangor Punta on a purchase basis and will include the results of Piper's operations from the date of acquisition. If Bangor Punta acquires less than a majority interest in Piper common stock, this interest will be carried by Bangor Punta as an investment and Bangor Punta will record as income the dividends received on such Piper common stock, which dividend is presently at an annual rate of $1.40 per share.

If Bangor Punta acquires only the 501,090 shares of Piper stock owned by the parties to the Agreement, Bangor Punta will own 621,290 shares, or 37.84%, of Piper's outstanding common stock. If Bangor Punta acquires 717,164 shares of Piper common stock pursuant to the Exchange Offers, Bangor Punta will own 837,364 shares, or 51%, of Piper's outstanding common stock, and Piper will become a consolidated subsidiary of Bangor Punta. If Bangor Punta acquires all of the 1,521,690 shares of Piper common stock not presently owned by Bangor Punta, Piper will become a wholly-owned consolidated subsidiary of Bangor Punta.

(Notes continued on following page)

The following summarizes the effect of the adjustments reflected in the pro forma statements of income:

	Pro forma Assuming Piper is owned		
	37.84%	51%	100%
	(Thousand of Dollars)		
Bangor Punta net income applicable to common and common equivalent shares	$9,703	$ 9,703	$ 9,703
Add (Deduct):			
Piper net income	—	3,864	3,864
Dividend Income on investment in Piper Common Stock	870	—	—
Minority Interest in Piper net income	—	(1,893)	—
Estimated interest requirements on cost of 120,200 shares of Piper common stock	(684)	(684)	(684)
Interest and debt discount requirements on 8¼% convertible subordinated debentures	(631)	(1,868)	(3,964)
Income tax effect of adjustments for dividend income and interest expense	616	1,327	2,417
Pro forma net income applicable to common and common equivalent shares	$9,874	$10,449	$11,336

(2) The net income per common and common equivalent share of (a) $2.68, (b) $2.58, and (c) $2.26 in the pro forma columns assumes: (1) the issuance (assuming for the purposes of the 51% and 100% computations the Limited Exchange Offer is amended to provide for the same exchange as the General Exchange Offer) as of the beginning of the period, of (a) 501,090 or (b) 860,597 or (c) 1,826,028 shares of Bangor Punta common stock and interest and debt expense, less taxes, on (a) $7,516,350 or (b) $22,232,084 or (c) $47,172,390 principal amount of 8¼% convertible subordinated debentures issued pursuant to the Exchange Offers, and (2) interest expense, less taxes, on $9,435,540 used to acquire 120,200 shares of Piper common stock. The estimated debt discount on the above assumed issuances aggregates (a) $499,000, (b) $1,476,000 and (c) $3,133,000. Assuming no conversions, the first year's amortization using the "interest" method amounts to (a) $11,000, (b) $34,000 and (c) $72,000 and the highest annual amortization subsequent thereto would be (a) $28,000, (b) $83,500 and (c) $176,000.

(3) Fully diluted earnings per share were computed by assuming (1) conversion of all convertible debt and exercise of options and warrants which had exercise prices less than the market prices of Bangor Punta common stock at March 31, 1969, as of the beginning of the period or date of issue or grant whichever is later, except that in the pro forma computations Bangor Punta's 8¼% convertible subordinated debentures issued pursuant to the Exchange Offers were considered converted as at the beginning of the period, and (2) the proceeds received upon exercise of options and warrants have been used to purchase shares of Bangor Punta common stock at the aforementioned market price, thereby reducing fully diluted outstanding shares.

(4) The excess of the purchase price over the book value of the 51% and 100% interest in Piper assumed acquired amounts to $49,803,622 and $98,102,549 respectively and is shown as "excess of cost over net assets of companies acquired" in the pro forma condensed balance sheet. Information is not available at the present time to determine the portion, if any, of these amounts which may be allocated to other accounts. To the extent such an allocation is made to assets subject to depreciation or amortization, charges to earnings may result. The remaining "excess of cost over net assets of companies acquired" will not be amortized since Bangor Punta's management is of the opinion that no diminution of value will be evident.

PRO FORMA CONDENSED BALANCE SHEETS

Pro forma adjustments have been applied to the March 31, 1969 balance sheets of both Bangor Punta and Piper assuming that Bangor Punta owned (a) 37.84%, (b) 51% and (c) 100% of the outstanding common stock of Piper. Separate financial statements and notes thereto for Bangor Punta and Piper are shown elsewhere herein, and the pro forma condensed combined balance sheets should be read in conjunction with them.

ASSETS	Bangor Punta March 31, 1969	Piper March 31, 1969	Pro Forma Combined Assuming Piper is owned 37.84%	51%	100%
Cash	$ 24,745,965	$ 2,363,058	$ 15,310,425	$ 17,673,483	$ 17,673,483
Marketable Securities	8,990,117		8,990,117	8,990,117	8,990,117
Receivables—trade and others	42,324,467	6,507,947	42,324,467	48,832,414	48,832,414
Inventories	83,281,369	37,434,788	83,281,369	120,716,157	120,716,157
Other Current Assets	1,987,974	544,173	1,987,974	2,532,147	2,532,147
Total Current Assets	161,329,892	46,849,966	151,894,352	198,744,318	198,744,318
Investment in Piper Aircraft Corporation			36,258,472		
Investments and Other Assets	41,311,811		41,311,811	41,311,811	41,311,811
Property, Plant and Equipment, Net	66,432,708	13,291,786	66,432,708	79,724,494	79,724,494
Excess of Cost Over Net Assets Acquired	43,565,843		43,565,843	93,369,465	141,668,392
Deferred Charges	1,229,764	125,312	1,728,764	2,831,076	4,488,076
Total Assets	$313,870,018	$60,267,064	$341,191,950	$415,981,164	$465,937,091
LIABILITIES AND STOCKHOLDERS' EQUITY					
Notes Payable to Banks		$ 2,000,000		$ 2,000,000	$ 2,000,000
Current Portion of Long-Term Liabilities	$ 3,660,627		$ 3,660,627	3,660,627	3,660,627
Crop Loans from Unconsolidated Finance Subsidiary	9,260,444		9,260,444	9,260,444	9,260,444
Accounts Payable, Accrued Expenses, Federal Income Taxes and Other Current Liabilities	41,624,419	11,372,353	41,624,419	52,996,772	52,996,772
Total Current Liabilities	54,545,490	13,372,353	54,545,490	67,917,843	67,917,843
Long-Term Liabilities, Excluding Current Portion	113,187,886	10,000,000	113,187,886	123,187,886	123,187,886
5¾% Subordinated Bonds Due 1992	19,241,000		19,241,000	19,241,000	19,241,000
8¼% Subordinated Convertible Debentures Due 1994			7,516,350	22,232,084	47,172,390
Deferred Federal Income Taxes and Other Deferred Credits	6,020,539	188,000	6,020,539	6,208,539	6,208,539
Minority Interests in Consolidated Subsidiaries	793,765		793,765	18,780,053	793,765
Stockholders' Equity:					
Preference Stock $1 Par Value (Convertible):					
$2.00 Preference	535,950		535,950	535,950	535,950
$1.25 Preference	223,543		223,543	223,543	223,543
Common Stock	3,226,044	1,641,890	3,727,134	4,086,641	5,052,072
Capital Surplus	82,883,061	9,023,613	102,187,553	120,354,885	162,391,363
Retained Earnings	35,749,910	26,041,208	35,749,910	35,749,910	35,749,910
	122,618,508	36,706,711	142,424,090	160,950,929	203,952,838
Less Treasury Stock	2,537,170		2,537,170	2,537,170	2,537,170
Total Stockholders' Equity	120,081,338	36,706,711	139,886,920	158,413,759	201,415,668
Total Liabilities and Stockholders' Equity	$313,870,018	$60,267,064	$341,191,950	$415,981,164	$465,937,091

(1) Bangor Punta has acquired 120,200 shares of Piper common stock since March 31, 1969 for a cash consideration of $9,435,540. If, pursuant to the Exchange Offers, Bangor Punta acquires a majority interest in the outstanding common stock of Piper, Piper will become a consolidated subsidiary of Bangor Punta. If Bangor Punta acquires less than a majority interest in the outstanding Piper stock, the 120,200 shares and the additional shares acquired pursuant to the Exchange Offers will be carried as an investment.

(a) Assuming that only the 501,090 shares of Piper stock owned by the parties to the Agreement are tendered pursuant to the Exchange Offers, Bangor Punta will own 621,290 shares, or 37.84%, of Piper's outstanding common stock, which will be carried as an investment. The pro forma balance sheet gives effect to the following adjustments:

Purchase by Bangor Punta of 120,200 shares of Piper common stock with a corresponding reduction in cash and marketable securities of $9,435,540.

(Footnotes continued on following page)

Issuance of 501,090 shares of Bangor Punta common stock with an assumed value of $24⅛ per share for a total of $12,088,796.

Issuance of $7,516,350 of 8¼% convertible subordinated debentures due 1994 with original issue discount of $499,000.

Issuance of 1,102,398 warrants to purchase Bangor Punta common stock with an assumed value of $7 for a total of $7,716,786.

(b) Assuming that 717,164 shares of Piper common stock are tendered pursuant to the Exchange Offers, Bangor Punta will own 837,364 shares, or 51% of Piper's outstanding common stock. For each share of Piper common stock so tendered, Bangor Punta will issue (assuming for such purposes the Limited Exchange Offer is amended to provide for the same exchange as the General Exchange Offer) 1.2 shares of common stock, $31 of 8¼% convertible subordinated debentures due 1994, and 3.5 warrants. The pro forma balance sheet gives effect to the following adjustments:

Purchase by Bangor Punta of 120,200 shares of Piper common stock with a corresponding reduction in cash and marketable securities of $9,435,540.

Issuance of 860,597 shares of Bangor Punta common stock with an assumed value of $24⅛ per share for a total of $20,761,903.

Issuance of $22,232,084 of 8¼% convertible subordinated debentures due 1994 with original issue discount of $1,476,000.

Issuance of 2,510,074 warrants to purchase Bangor Punta common stock with an assumed value of $7 for a total of $17,570,518.

Consolidation of the accounts of Piper with Bangor Punta, the recording of a minority interest in Piper of 49% and an excess of the purchase price of the Piper shares acquired over the book value of the 51% interest acquired of $49,803,622.

(c) Assuming that all the shares of Piper common stock presently outstanding and not owned by Bangor Punta are tendered pursuant to the Exchange Offers, Bangor Punta will own 100% of Piper's outstanding common stock. For each of the 1,521,690 shares of Piper common stock so tendered, Bangor Punta will issue (assuming for such purposes the Limited Exchange Offer is amended to provide for the same exchange as the General Exchange Offer) 1.2 shares of common stock, $31 of 8¼% convertible subordinated debentures due 1994, and 3.5 warrants. The pro forma balance sheet gives effect to the following adjustments:

Purchase by Bangor Punta of 120,200 shares of Piper common stock with a corresponding reduction in cash and marketable securities of $9,435,540.

Issuance of 1,826,028 shares of Bangor Punta common stock with an assumed value of $24⅛ per share for a total of $44,052,925.

Issuance of $47,172,390 of 8¼% convertible subordinated debentures due 1994 with original issue discount of $3,133,000.

Issuance of 5,325,915 warrants to purchase Bangor Punta common stock with an assumed value of $7 for a total of $37,281,405.

Consolidation of the accounts of Piper with Bangor Punta and the recording of the excess of the purchase price of the Piper shares acquired over the book value of Piper of $98,102,549.

(2) The excess of the purchase price over the book value of the 51% and 100% interests in Piper assumed acquired is shown in the pro forma condensed balance sheets under the caption "excess of cost over the net assets of companies acquired". Information is not available at the present time to determine the portion, if any, of this amount which may be allocated to other accounts. To the extent such an allocation is made to assets subject to depreciation or amortization, charges to earnings may result. The remaining "excess of cost over net assets of companies acquired" will not be amortized since Bangor Punta's management is of the opinion that no diminution in value will be evident.

(3) For a description of the securities being issued by Bangor Punta, see "Description of the Debentures", "Description of the Warrants", and "Description of Bangor Punta's Capital Stock", elsewhere herein.

(4) No provision has been made for expenses incident to the Exchange Offers as such expenses are not expected to be significant in relation to the pro forma condensed balance sheets.

DESCRIPTION OF BANGOR PUNTA'S BUSINESS

Bangor Punta has operating units in the following industries: leisure time; public security; energy systems; process engineering and equipment; fashion fabrics; agribusiness; professional services; and transportation. Where practicable, operations of related units are coordinated for management purposes, but the head of each unit, often its founder and former owner-manager, is responsible for the effective functioning of his business. Each operating unit functions within the framework of broad policies and corporate goals established by central management, which is responsible for overall planning, financial management and other administrative and corporate functions.

Leisure Time

Pleasure Boats, Pick-up Campers, Campers, Travel Trailers, Snowmobiles and Emblematic Jewelry

Bangor Punta is strongly committed to the leisure-time activity market through its ownership of several companies making a broad line of pleasure boats as well as pick-up campers, campers, mobile vans, travel trailers and snowmobiles.

Boats made by Starcraft, Luhrs, O'Day, Jensen Marine and Seagoing range from outboards and small sail boats, to cabin cruisers, ocean racing and cruising sail boats, and houseboats. In addition, in 1968 Bangor Punta acquired Rent-A-Cruise, Inc., thus entering the houseboat rental business.

The Starcraft line of boats consists of 49 models ranging from a 9 ft. riveted pram at a suggested retail price of $140 to a 21 ft. cabin cruiser with inboard-outboard engine at a suggested retail price of $4,795. Aluminum models include 18 ft. and 21 ft. cruisers with inboard-outboard engine installed, or styled for inboard-outboard unit but sold without the engine. Also, Starcraft offers in aluminum 9 models of runabouts with lengths varying from 14 ft. to 18 ft., 8 models of fishing boats (including prams), and 2 models of canoes. Fiberglass boats include 12 models of runabouts ranging from 14 ft. to 20 ft., 4 sail boats and 2 fishing boats. Starcraft does not manufacture or equip its boats with outboard motors. The individual boat owner purchases the motor of his choice separately. Several models of runabouts and cruisers are available with inboard-outboard engines and out-drive units factory installed. Starcraft sold approximately 50,000 boats in fiscal 1968, of which approximately 30% were fiberglass and approximately 70% were aluminum, including those sold under the Sea King and Duo trade names. The Duo line consists of eight models of fiberglass boats. Approximately 35% of Starcraft's boat production in fiscal 1968 was composed of cruisers and runabouts and 65% was composed of sail boats, fishing boats and canoes.

Luhrs produces sea skiffs and cruisers constructed of fiberglass, and Ulrichsen and Alura fiberglass luxury cruisers. These boats range in price from $5,000 to $27,000. O'Day makes non-auxiliary fiberglass sailboats, including the popular "Day-Sailer", ranging in price from $279 to $6,000. Jensen Marine's auxiliary fiberglass sailboats are sold principally under the "Cal" trade name. "Cal" boats range in price from $3,200 to over $50,000 and have enjoyed success in major ocean races such as the 1968 Bermuda Race, the 1968 and 1969 Ensenada Races, and the 1969 Whitney series. Jensen Marine has recently introduced the first units of a second line of auxiliary fiberglass sailboats to be known as the "Ranger." The "Ranger" will be made in approximately the same size and price ranges as the "Cal" boats. Seagoing makes seven sizes of houseboats ranging from 32 ft. to 65 ft. in length, with steel, aluminum or fiberglass hulls.

The pick-up campers, campers and travel trailers made by Starcraft are designed to be mounted on the bed of a light truck or towed behind an automobile. Pick-up campers are 9 ft. in length. Suggested retail prices for the two models are $895 and $1,095. The two-wheeled camping trailers have metal-coated tops which are folded into a box style body by use of various mechanisms. Nine models range in length from 12 ft. to 20 ft. and sleep up to 8 persons. Suggested retail prices for the camping trailers with standard equipment range from $1,045 to $2,595. Four models of all metal two and four wheeled travel trailers are offered, ranging up to 23 ft. in length and $3,675 in price. A variety of equipment and accessories is available with each model.

Featherweight Corporation, acquired by Bangor Punta in March 1969 and located in Montreal, Canada, manufactures and sells a line of snowmobiles under the Alouette®, Arlberg® and Starcraft® trade names, ranging in price from about $750 to about $1,250, depending primarily on engine size. It also sells a line of snowmobile accessories, including suits. Featherweight does not manufacture the engines used in its snowmobiles or the accessories which it sells. Featherweight is also engaged in the manufacture and sale of aluminum lawn furniture and toboggans.

Bale Pin Company and Kinney Company are engaged in the manufacture and sale of emblematic jewelry. Bale is principally engaged in the business of manufacturing school and club jewelry for sale to students in colleges, high schools and grammar schools throughout the country. Kinney also sells jewelry to students and, in addition, manufactures and sells jewelry and insignia to military personnel and businesses for commercial and promotional use. Bale's sales of school insignia, class pins and rings are developed through direct mail solicitation. Kinney's sales are made by sales representatives who sell directly to retail jewelers, college bookstores, military post exchanges and commercial accounts.

In fiscal 1968, sales of leisure time products accounted for 24% of Bangor Punta's total revenues and 33% of its operating income before allocation of parent companies' overhead, interest and federal income tax ("operating income"). Based on unaudited figures for the first six months of fiscal 1969, during this period leisure time sales accounted for 20% of Bangor Punta's total revenues and 31% of its operating income.

While Bangor Punta's boating units together constitute a significant factor in the boating industry, they are operated independently and account for a small portion of total industry sales and face competition from numerous other companies in each of their market areas. Featherweight is one of numerous snowmobile manufacturers, several of which are much larger factors in the market. Bangor Punta's emblematic jewelry units account for a very small portion of the total market and face competition from many larger, well-established companies. About 2,450 persons are employed by the leisure time products units, of whom about 500 are union members at Luhrs, O'Day and Seagoing. Employee relations are considered satisfactory.

Public Security

Smith & Wesson is a well known manufacturer of top quality handguns used by police departments and by sportsmen throughout the country. It also supplies law enforcement agencies with a line of non-lethal weapons such as tear gas and Chemical Mace®, both of which are temporarily incapacitating chemical agents, and Pepper Fog™ CS-Tear Smoke Generator which throws out thousands of cubic feet of irritant or inert smoke per minute. Such weapons allow the police to use a minimum degree of force in subduing disorderly persons and criminals effectively but humanely, without danger to the officers making the arrest. In addition to weapons, Smith & Wesson and its related operating units supply law enforcement agencies with personal safety equipment (plastic helmets and gas masks), resuscitation equipment, breath-alcohol testing devices (the Breathalyzer® made by Stephenson Company), radar speed measuring sets, sirens, handcuffs, police holsters, belts and a suspect identification system called Identi-kit®.

Smith & Wesson Pyrotechnics, Inc., a joint venture between Smith & Wesson (55% ownership) and Schermuly Limited of England (45% ownership), supplies flares, signal rockets and other pyrotechnic devices to law enforcement agencies, merchant marine, airlines and the armed forces.

Smith & Wesson has developed a new form of ammunition—a caseless cartridge fired by electricity. In November 1967, it publicly demonstrated a prototype lightweight automatic pistol which fired these cartridges by means of small electric batteries. Elimination of the cartridge case would result in lighter, cheaper ammunition and lighter, less complex weapons because of the consequent elimination of the trigger and firing pin mechanism. Smith & Wesson is also working on the development of armor piercing ammunition and other military ordnance. However, these products are still in the experimental stage, and there is no assurance that any of them will be produced for sale.

In fiscal 1968, sales of the public security group accounted for 9% of Bangor Punta's total revenues and 30% of its operating income. Based on unaudited figures, for the first six months of fiscal 1969, public security sales accounted for 7% of Bangor Punta's total revenues and 25% of its operating income.

Although Smith & Wesson is a leading supplier of public security equipment, it has many competitors, at least one of which is a firearms manufacturer with greater financial and other resources than Bangor Punta. Approximately 1,575 persons are employed, none of them members of a union; employee relations are considered satisfactory.

In a number of jurisdictions the sale and use of firearms and non-lethal weapons are regulated by statute. In addition, many legislative bodies, including the United States Congress, have recently enacted or are studying proposals that would further regulate the distribution and use of such weapons. In particular, the provisions of the Omnibus Safety Crime Control Act of 1968, which was enacted by Congress in June 1968, ban the mail order sale of handguns to individuals and the over-the-counter sale of handguns to residents of another state and to all persons under the age of 21. However, Smith & Wesson believes that the impact of such enacted or proposed legislation on its business will not be materially adverse in view of the particular weapons it manufactures and its method of distributing them. Smith & Wesson does not sell its weapons through the mails. A majority of its production goes to law enforcement officers (25%), the United States Government (12%) and foreign sales (24%). About 39% of its products are sold to the public through federally-licensed distributors.

The Subcommittee for Consumers of the Commerce Committee of the United States Senate recently held hearings on the civilian use of chemical sprays. Representatives of Bangor Punta testified at such hearings and stated Bangor Punta's support for appropriate regulation of the manufacture, labeling and sale of such sprays. Senator Frank Moss, the subcommittee chairman, has stated that he intends to introduce legislation concerning the sale of chemical sprays to the public.

Energy Systems

Waukesha Motor Company was merged into Bangor Punta on July 30, 1968. Waukesha is a manufacturer of industrial-type gasoline, diesel and natural gas engines which serve in a wide variety of applications and many markets. Applications for its engines include motive power for farm tractors, fire trucks, lift trucks and off-highway equipment and as drives for electric power generation ("enginators"), air conditioning, oil well drilling units, municipal water pumping and sewage treatment, cotton ginning, cranes, shovels, marine propulsion, petroleum pumping and for compression. Waukesha also has recently developed a small turbine and builds heat exchangers, engine radiators and laboratory fuel rating engines.

Waukesha's sales for fiscal 1968 may be divided by major product groupings, approximately as follows: small engines 21%; medium engines 10%; large engines 31%; enginators 5%; heat transfer products 4%; parts and service 29%. Sales of Waukesha products are made directly to original equipment manufacturers and to independent distributors for resale, from three Waukesha-owned factories and three branch sales offices. Sales to customers located in the Midwest and Central States account for approximately 75% of Waukesha's total sales.

In fiscal 1968 Waukesha's sales, during the 2 months that it was part of Bangor Punta, accounted for 3% of Bangor Punta's total revenues and 2% of its operating income. Based on unaudited figures, for the first six months of fiscal 1969 Waukesha sales accounted for 17% of Bangor Punta's total revenues and 17% of its operating income.

Among other manufacturing companies which compete with Waukesha, many are much larger than Bangor Punta and consist of those whose principal products are engines as well as those in which engines are products of only a division. Waukesha employs approximately 2,400 persons at its three plants, of whom about 1,660 are union members. Employee relations are considered satisfactory.

Process Engineering and Equipment

The companies in the process engineering and equipment group consist primarily of engineering companies which also design, fabricate or supply, and erect proprietary, standard or customized equipment systems, and a large distributor of refrigeration and air-conditioning equipment.

Bartlett-Snow, FECO, Barker and Jetstream Systems engineer, manufacture and install a wide variety of foundry, metallurgical, conveying and similar industrial equipment. Bartlett-Snow manufactures fluidized bed-processing equipment, in which hot gasses are forced upward through a bed of solids to create high rates of heat transfer. It is a major supplier of rotary heat processing equipment for the chemical, fertilizer and process industries. It also manufactures certain automated handling systems for foundries, foundry moulding machines, briquetting machines, rotary heat processing equipment and fluid bed equipment. The FECO unit makes industrial ovens, including metal decorating ovens for the can industry and core ovens for the foundry industry. FECO's metal decorating ovens are complemented by the automatic can handling machinery made by Barker, which also produces equipment for the automatic assembly and conveying of other items, such as oil filters and electronic parts. Jetstream Systems designs and manufactures custom engineered equipment utilizing air to transport and/or process materials.

Although Bartlett-Snow, FECO, Barker and Jetstream account for a relatively small portion of industry sales, management is of the opinion that these operating units are well established in their respective specialized fields. Competition is, however, intense in each field and includes numerous companies having greater sales and available assets than Bangor Punta. A total of about 900 persons are employed by these units, many of whom are union members. Approximately 300 additional persons are employed each year on a temporary basis. Employee relations are considered satisfactory.

Pameco-Aire distributes refrigeration and air-conditioning equipment and supplies for light commercial, industrial and residential applications. In addition, it markets specialty heating equipment such as infrared heaters, steam traps and boilers, as well as controls for this and other types of equipment. The equipment is manufactured by a large number of companies, and Pameco-Aire is not dependent upon any one of such manufacturers. Its twenty-eight distribution centers serve more than 10,000 customers in eleven western states. Pameco-Aire receives strong competition from many businesses in its various markets, some of which have greater sales than Pameco-Aire in their respective territories. About 200 persons are employed, a small number of whom belong to a union.

In fiscal 1968, the process engineering and equipment group accounted for 14% of Bangor Punta's total revenues and 8% of its operating income. Unaudited figures for the first six months of fiscal 1969 indicate that the process engineering and equipment group accounted for 10% of Bangor Punta's total revenues and 1% of its operating income. The decrease in percentage of revenues and income contributed by this group was due in substantial part to a drop in new orders to Bartlett-Snow, Jetstream Systems, Barker and BSP Corporation.

In May, 1969 Bangor Punta agreed to sell BSP Corporation, a wholly-owned subsidiary of Bangor Punta Operations, engaged in marketing various types of heat processing equipment. Pursuant to this agreement the stock of BSP Corporation will be sold to Envirotech Corporation for cash equal to the net asset value of BSP as of May 29, 1969. Robert L. Chambers, a former director of Bangor Punta is the Chief Executive Officer and Chairman of the Board of Directors of Envirotech Corporation. This sale was negotiated at arms' length, and in the opinion of Bangor Punta the terms thereof are advantageous to Bangor Punta and are as favorable to Bangor Punta as could have been obtained from any purchaser.

Fashion Fabrics

Bangor Punta's textile group, divided into the Crown Fabrics and Knitbrook divisions, occupies a position in the industry in between that of the "greige goods" (unfinished fabrics) manufacturers and that of the apparel makers or piece goods retailers. Fabrics produced by the textile group are sold chiefly to high volume garment makers and chain stores.

Crown is a fabric converter and specialist in synthetic fibers. It not only styles the "look" of a fabric, it also determines what blend of synthetic and natural fibers will give the fabric proper

appearance and texture and make it pleasing to the touch. After custom ordering the greige goods or yarn, Crown has them dyed and finished by independent operators. In the case of yarn, the material is knitted by Crown or by contract knitters. During the past seven years, Crown has developed more than sixty varieties of fabrics, such as CRUISEWAY, SCOTLIN, SHINTO and SCOTCH TWIST, many of them by blending synthetic and natural fibers.

Knitbrook styles, manufactures and markets bonded knitted fabrics for women's wear. It "bonds" together two separate fabrics with a thin layer of polyurethane foam, which serves to make the resultant fabric wrinkle proof, as well as adding buoyancy and bulk, and stabilizing knit fabrics so that they hold their shape as wearing apparel.

In fiscal 1968 sales of the textile group accounted for 30% of Bangor Punta's total revenues and 15% of its operating income. Unaudited figures for the first six months of fiscal 1969 indicate that the textile group accounted for 22% of Bangor Punta's total revenue and 15% of its operating income.

The textile group is subject to the traditionally intense competition which characterizes the textile and garment industries. Some competitors have greater sales and available resources than Bangor Punta. About 785 persons are employed, the majority of whom are union members; employee relations are considered satisfactory.

Agribusiness

In December 1967, Bangor Punta entered commercial agriculture in a substantial way by acquiring Producers Cotton Oil Company, an integrated grower, processor, manufacturer and merchandiser of agricultural commodities. Producers is the owner of cotton ginning and vegetable oil processing plants and large tracts of valuable land in California and Arizona, including 58,000 acres in California's San Joaquin Valley, one of the world's richest agricultural areas. Producers' principal operations are commercial farming (cotton, barley, alfalfa hay, alfalfa seed, melons, sugar beets, beans, wheat, potatoes, safflower and tomatoes), cotton ginning, cottonseed milling and cotton oil refining.

Although Producers grows on its own land only a small portion of the cotton it gins, about two-thirds of such cotton is supplied by growers whose crops Producers finances. After the cotton is ginned, the seed is run through delinting machines which cut off the remaining short staple fibers for use in upholstering and as a source of cellulose for the chemical industry. Machinery next separates the meats of the seeds from the hulls, which are sold as roughage for cattle feed. The meats are then crushed, heated and forced through expellers which mechanically extract the oil and, at the Fresno plant, additional oil is extracted by the solvent method. The residue solids are ground into meal or pressed into pellets and sold as high protein cattle and poultry feed. Over half of the cottonseed processed in this way is obtained from Producers' own gins or from gins in which it has a financial interest. The ultimate product of the processing, cottonseed oil, is sold for use in the manufacture of cooking and salad oils, shortenings and margarines.

In fiscal 1968 Producers' sales, for the 9 months that it was part of Bangor Punta, accounted for 10% of Bangor Punta's total revenues and 6% of its operating income. Unaudited figures for the first six months of fiscal 1969 indicate that Producers accounted for 16% of Bangor Punta's total revenues and 13% of its operating income. In recent months floods have caused crop losses in California. The effect of such floods on Producers will be to restrict its revenues and income to approximately the same levels as in fiscal 1968.

Producers is not a significant factor nationwide in the cotton ginning and cottonseed milling industries. In its own geographic area of California and Arizona, Producers is a significant factor, but there is at least one other organization in each of these industries with greater financial and other resources than Producers. About 670 persons are employed throughout the year, 104 of whom are members of unions. In addition Producers hires a seasonal work force of about 1,200 persons. While efforts to unionize farm labor in the San Joaquin Valley have been directed primarily at perishable-crop workers, no assurance can be given that efforts will not be made to unionize farm workers in the future. Employee relations are considered satisfactory.

Professional Services

Engineering

Metcalf & Eddy, a well-established civil and sanitary engineering firm with offices in Boston, New York, Cincinnati and Palo Alto, specializes in the fields of water supply, sewage treatment and refuse disposal. The firm has furnished engineering services for a wide variety of projects throughout the country and around the world. It is a completely integrated organization of civil, sanitary, soil, structural, mechanical and electrical engineers, architects, planners, chemists, cost estimators, specification writers and construction engineers. Metcalf & Eddy competes for projects with many other civil and sanitary engineering firms throughout this country and abroad, a number of which firms are larger than it. About 500 persons are employed, none of whom are union members.

Connell Associates, acquired by Bangor Punta in March 1969, is an engineering and consulting firm which provides professional services in the planning and designing of highways, bridges, commercial, industrial and institutional facilities, land development, sanitary systems, water supply systems, energy systems and transportation. It has about 170 employees, none of whom are union members, and is based in Miami.

Management and Acquisition Services

Bangor Punta Management Services Company was formed in June, 1968 to provide management services for companies in which Bangor Punta has a financial interest. At present, it is rendering such services to subsidiaries of Manati Sugar Company and is under contract to render them to Francisco Sugar Company. (See "Development of Bangor Punta's Business—Other Transactions"). Enesco, Inc., formed in April, 1968, furnishes acquisition services to companies in which Bangor Punta has a financial interest as well as to a limited number of other companies on a retainer basis. At present, such services are being furnished to Manati Sugar Company, Francisco Sugar Company and Katy Industries, Inc.

Bangor Punta has recently liquidated the assets of Clawges Associates Inc., through which it had been engaged from March 1968 to February 1969 in providing marketing and advertising consulting services.

In fiscal 1968, the services group accounted for 4% of Bangor Punta's total revenues and 5% of its operating income. As of October 1, 1968 revenues and income from Bangor Punta's management and acquisition services were excluded from the figures compiled for the professional services group and treated as part of Bangor Punta's asset management figures. Unaudited figures for the first six months of fiscal 1969 indicate that for this period the professional services group accounted for 3% of Bangor Punta's total revenues and 4% of its operating income. Employee relations are considered satisfactory at all units of the services group.

Transportation

The Bangor and Aroostook Railroad is an all-freight line owning and operating approximately 800 miles of track located wholly within the State of Maine, running from Searsport on the Atlantic Coast north to the Canadian border. On September 30, 1968, it owned, subject to security interests, or leased 45 diesel locomotives and 5,834 freight cars. Approximately 70% of the Railroad's freight revenue is derived from potatoes, paper, wood pulp and petroleum products. More than 99% of the freight hauled has either its origin or its final destination, or both, on the Railroad's line. The Railroad receives intense competition from highway carriers and also competes with Canadian railroads at several points on the line. It is a Class I carrier, subject to comprehensive regulation by the Interstate Commerce Commission with respect to rates, routes, accounting practices and other matters. About 1,100 persons are employed by the Railroad, 90% of whom are union members.

In fiscal 1968, the Railroad accounted for 6% of Bangor Punta's total revenues and 1% of its operating income. Unaudited figures for the first six months of fiscal 1969 indicate that the Railroad accounted for 5% of Bangor Punta's total revenues and incurred an operating loss equal to 4% of Bangor Punta's total operating income. An operating loss of this magnitude is not unusual during the first half of the Railroad's fiscal year.

DESCRIPTION OF BANGOR PUNTA'S PROPERTIES

The operating units of Bangor Punta are located in owned and leased facilities as described below. Management believes that the properties, including all equipment located therein, are adequately maintained and insured and satisfactorily meet the requirements of the businesses conducted therein. These facilities are, for the most part, being fully utilized. Additional production could be supplied and additional services could be rendered by adding additional shifts of personnel, or by expansion of present facilities.

Waukesha is planning the construction of a new plant which will be located in close proximity to its existing Waukesha, Wisconsin plant, for the manufacture of large engines. It is estimated that the new plant will contain approximately 350,000 square feet and that the total cost of the plant, including land, building, machinery and equipment, will not exceed $16,500,000. It is anticipated that construction will commence before the end of 1969 and take approximately two years for completion. Negotiations for the acquisition of the plant site are now taking place.

Location and Description	Approximate Area (Square Feet)	Owned or Leased	Lease Expiration Date	Annual Rent	Debt Secured by Property
LEISURE TIME GROUP:					
(a) The boat, camper, trailer and snowmobile building business offices, manufacturing and warehousing facilities are located in 18 separate complexes of buildings of varied construction in New Jersey, Massachusetts, California, Indiana, Kansas, Alabama, Montreal and Toronto, Canada.	471,000 1,250,197	leased owned	various —	$367,912 —	— $33,180
(b) The emblematic jewelry businesses occupy brick and masonry buildings located in Boston, Massachusetts and Providence, Rhode Island	25,000 11,000	owned leased	— 1970	— $ 16,800	$68,691 —
PUBLIC SECURITY GROUP:					
Smith & Wesson's principal offices and manufacturing facilities are located in a complex of brick and masonry buildings in Springfield, Massachusetts. The public security group has additional facilities in Red Bank, New Jersey; Rock Creek, Ohio; Pittsburgh, Pennsylvania; Kansas City, Missouri; Houlton, Maine; New York, New York; Washington, D. C.; Monrovia, California; Santa Barbara, California; Goleta, California; and Newport Beach, California	71,655 41,150 403,500	under construction leased owned	various —	$ 44,536 —	— None
ENERGY SYSTEMS GROUP:					
Waukesha has offices and plants at Waukesha, Wisconsin, Clinton, Iowa and Houston, Texas. It also has distribution and warehouse facilities in Alaska, New Jersey and Oklahoma	16,000 986,000	leased owned	1973 and 1975 —	$ 33,300 —	— None
PROCESS ENGINEERING AND EQUIPMENT GROUP:					
(a) The Cleveland based portion of the process engineering and equipment group occupies two separate tracts of industrial land, aggregating approximately 9 acres, located in Cleveland, Ohio and served by highways and all major railroads in the area	132,600 91,500	owned leased	— 1999	— $ 58,000	None —
(b) The Barker Manufacturing operation owns 5 acres in Tampa, Florida, on which its facilities are located	45,900	owned	—	—	$ 99,990
(c) Jetstream Systems leases facilities in Hayward, Cal.	8,000	leased	1975	$ 14,000	—
(d) Pameco-Aire's 28 combination store-warehouse distribution centers are located throughout the western part of the United States	225,000	leased	various	$191,276	—

Location and Description	Approximate Area (Square Feet)	Owned or Leased	Lease Expiration Date	Annual Rent	Debt Secured by Property
(e) Erie, Pennsylvania facilities include a 5.3 acre lot and concrete block shop building	27,200	owned	—	—	None
TEXTILE GROUP:					
(a) The group's offices and a portion of its showroom space are located in New York City	44,500	leased	1973 and 1978	$148,000	—
(b) A portion of the group's manufacturing and warehousing facilities are located in two separate buildings in E. Rutherford, New Jersey	260,000	leased	1982 and 1998	$243,000	—
(c) Other manufacturing facilities are located in Pennsylvania and North Carolina	41,000	owned	—	—	$126,141
	50,000	leased	1976	$ 26,700	—

AGRIBUSINESS GROUP:

At Fresno, California, Producers owns a 193 acre tract of land on which are located seed storage facilities, cattle feeding pens, cotton warehouses, its cotton compress and vegetable oil refinery, as well as its largest vegetable oil mill and its executive offices. Of the 48 gins in the San Joaquin Valley operated by Producers, 8 are owned by it and its wholly owned subsidiaries, two are owned by other consolidated subsidiaries, and Producers has undivided interests of 51% or more in the remaining 38 gins. Of the 20 gins it operates in Arizona, 18 are owned by Producers, and it owns an undivided 50% interest in two. Producers also owns its vegetable oil mills in Arizona (temporarily closed) and California's Imperial Valley. Cottonseed produced in Arizona is processed in a mill leased and operated by the Company together with seed produced by the owner of the plant.

South Lake Farms, a wholly owned subsidiary of Producers, owns 58,000 acres and leases an additional 43,000 acres in the San Joaquin Valley. The latter land is held under 115 leases, 70 of which cover agricultural land and 45 of which cover grazing lands. Because of provisions for rentals payable by a share of the proceeds of crops grown, the value of which varies widely from one year to the next, it is not possible to estimate the aggregate rentals payable in any particular year. However, South Lake Farms' annual fixed obligation, payable whether the leased agricultural lands are farmed or not, is about $270,000. South Lake Farms also owns an undivided interest in 2,872 acres of farm land in Arizona and along the Arizona border in Southern California. Thunderbird Farms, a partnership in which Producers has a 51% interest, owns 2,582 acres in Arizona. Arizona Farming Company, in which Producers has a 30% interest, owns 3,940 acres in Arizona and leases an additional 2,055 acres from the State of Arizona. Painted Rock Ranches, in which Producers has a one-third interest, owns 3,424 acres and leases an additional 560 acres from the State of Arizona.

Virtually all of the real and personal property of Producers and its subsidiaries is subject to liens securing indebtedness. In addition, the farm properties are subject to the Indenture which secures Bangor Punta's 5¾% Subordinated Bonds due 1992 given in partial consideration for the shares of Producers common stock tendered Bangor Punta pursuant to the terms of its tender offer in December 1967.

Location and Description	Approximate Area (Square Feet)	Owned or Leased	Lease Expiration Date	Annual Rent	Debt Secured by Property
PROFESSIONAL SERVICES GROUP:					
(a) Metcalf & Eddy has offices in Boston, where it is headquartered, New York, Cincinnati and Palo Alto, California	53,982	leased	various	$289,034	—
(b) Management Services has offices in New York City	1,200	leased	1973	$ 7,600	—
(c) Enesco, Inc. has offices at Bangor Punta's corporate headquarters in New York City					
(d) Connell Associates has offices in Miami	17,795	owned	—	—	—
and Orlando, Florida	6,041	leased	1970	$ 19,517	—
TRANSPORTATION GROUP:					
(a) The Railroad owns or leases extensive properties and equipment connected with the operation of its business. The most significant of the real properties are:					$28,812,481
(i) an office building in Bangor, Maine, of which approximately one-half the space is leased to independent tenants	32,000	owned	—	—	—
(ii) extensive docking facilities in Searsport, Maine, and	—	owned	—	—	—
(iii) an international railway bridge on the Canadian border at Van Buren, Maine	—	owned	—	—	—

DEVELOPMENT OF BANGOR PUNTA'S BUSINESS

The diversity of Bangor Punta's current operations is, in large part, the result of the combination in 1964 of Bangor Punta, a Delaware corporation, then known as Punta Alegre Sugar Corporation and Bangor & Aroostook Corporation ("B&A"). In October of that year a wholly-owned subsidiary of Bangor Punta acquired substantially all of the assets, subject to substantially all of the liabilities, of B&A in exchange for 551,620 shares of Bangor Punta's Common Stock and 200,589 shares of its Preference Stock and the assumption of options which (after adjustment) entitled the optionees to purchase 93,568 shares of Common Stock and 34,024 shares of Preference Stock. Bangor Punta also became obligated to issue 51,886 shares of its Common Stock and 18,868 shares of its Preference Stock pursuant to acquisition agreements made by B&A before the combination. Upon the combination of the two enterprises Bangor Punta changed its name to Bangor Punta Alegre Sugar Corporation, which was changed again in January, 1967 to Bangor Punta Corporation.

Acquisitions by B&A Prior to Combination

The Railroad was organized in 1891 and until 1961 was engaged principally in its railroad business. In 1960 the Railroad caused B&A to be organized, and during 1960 and 1961 B&A offered to exchange shares of its Common Stock for outstanding shares of the Common Stock of the Railroad. As a result of this offer, B&A acquired in excess of 98% of the outstanding stock of the Railroad, and the Railroad thus became B&A's subsidiary. Between 1961 and the combination, B&A acquired four additional subsidiaries.

B&A acquired all of the outstanding stock of Goal Credit Corporation, a commercial lender in 1961, in exchange for 37,500 shares of B&A Common Stock having a market value of approximately $580,000. Bangor Punta sold all of the outstanding stock of Goal in 1966 at a net book loss on the sale of $68,686.

In 1962 B&A acquired Bartlett-Snow-Pacific, Inc. for a consideration of $2,000,000 which was to be paid in shares of B&A Common Stock, dependent in part on the future earnings of the acquired company. The sellers have received 122,547 shares of Bangor Punta's Common Stock and 44,562 shares of its Preference Stock in full satisfaction of such obligation. Pursuant to an agreement entered into in May, 1969, Bangor Punta is selling Bartlett-Snow-Pacific, Inc. to Envirotech Corporation for cash equal to the net asset value of Bartlett-Snow-Pacific as of May 29, 1969.

Henry Luhrs Sea Skiffs, Inc. was also acquired by B&A in 1962, under an earnout agreement, for a consideration of $1,500,000 which was to be paid in shares of B&A Common Stock. 71,962 shares of Bangor Punta's Common Stock and 26,167 shares of its Preference Stock have been issued to the the sellers in full satisfaction of such obligation.

Bale Pin Company was acquired by B&A in 1963 for cash and future payments contingent upon earnings. The sellers of Bale Pin have received $2,080,000 in complete satisfaction of Bangor Punta's obligations under such agreement.

Acquisitions by Bangor Punta (then known as Punta Alegre Sugar Corporation) Prior to Combination

Bangor Punta had acquired three businesses prior to the combination with B&A. In 1961, C-G-F Topeka Grain Elevator was acquired for an aggregate purchase price of $40,000,000, of which $3.000,000 was paid at that time. The remaining $37,000,000 became payable in installments only from funds derived from the operations of the elevator, until August 1, 1976, when the unpaid balance of the purchase price would have become payable whether or not earned. The sellers of the grain elevator were Mr. James S. Garvey, who was elected a Director of Bangor Punta on May 2, 1967, persons related to Mr. Garvey by blood or marriage, trusts for their benefit and organizations controlled by them.

As of June 30, 1966, Bangor Punta had paid to the sellers $12,123,364, including the initial down payment (exclusive of other expenses aggregating $380,675), and pursuant to the purchase agreement, as modified in 1966, Bangor Punta issued 59,455 shares of Preference Stock and 44,554 shares of Common Stock upon the exercise of options granted to the sellers. The C-G-F Topeka Grain Elevator facilities were sold to Penn Marine Company, Inc. ("Penn Marine") as of June 30, 1966 for $1,000,000 in cash, 10% of the equity capital of Penn Marine (having a book value of $516,300) and a right to receive an additional 10% of the equity capital of Penn Marine contingent upon the payment by Penn Marine of the balance of the purchase money mortgage debt to the original sellers of the grain elevator. By the sale, Bangor Punta realized a net book loss, after expenses, of $2,594,297, but was released from all obligations under the acquisition agreement with the original sellers of the grain elevator, except that it agreed to indemnify such sellers against liabilities arising under their guaranty of the purchaser's performance as a Kansas bonded warehouseman, with a right over against Penn Marine. Mr. Salgo, Chairman of Bangor Punta's Board of Directors, had been a Director of Penn Marine until June, 1966. Immediately prior to the sale of the C-G-F Topeka Grain Elevator to Penn Marine, members of Mr. Salgo's family owned approximately 14% each of the common stock, preferred stock and total voting power of Penn Marine. Mr. Salgo disclaims any beneficial interest in these holdings. It was the unanimous opinion of the Directors of Bangor Punta, excluding Mr. Salgo, who was absent during the discussions, that the facilities should be sold and that the terms of the transaction with Penn Marine were as favorable as could have been obtained from any purchaser.

In 1962 the assets of Pacific Metals Company, Ltd. were acquired for $4,180,000 and the assumption of liabilities totaling $4,851,997. The metals distribution business of Pacific Metals was sold to A. M. Castle & Co. on September 30, 1965 for $3,218,432 and a $1,000,000 6% convertible debenture of A. M. Castle & Co. At that time Bangor also purchased an additional $1,000,000 6% convertible debenture of A. M. Castle & Co. and acquired, for $450,000, a one-third interest in Amcodyne & Co., a manufacturer of sewage treatment plants and large swimming pools. The net current assets of Amcodyne & Co. were sold on December 20, 1966 for their book value of $171,000, and that company is currently attempting to sell its remaining assets, principally a patent for a sewage disposal process.

Crown Fabrics Limited was acquired in 1963 for $1,851,300 in cash and Class B Preferred Stock and Common Stock valued at $3,149,700. In 1966, based on a determination that the earnings of Crown Fabrics would entitle the sellers to the maximum amount provided for in the acquisition agreement, the agreement was amended to enable Bangor Punta to retire all outstanding shares of Class B Preferred Stock. Under the agreement, as amended, Bangor Punta has issued 67,969 shares of its Common Stock and 35,126 shares of its Preference Stock, and has paid $4,259,261 in cash to the sellers in full satisfaction of its obligations.

Acquisitions by Bangor Punta since Combination

Bangor Punta has made a number of acquisitions since its combination with B&A in 1964. The following ones each involved payments of approximately $3,000,000 or more:

—Producers Cotton Oil Company in 1967, for $27,131,300 in cash, market value of debentures and principal amount of bonds (97.5% stock interest);

—Smith & Wesson in 1965, for $22,008,000 in cash;

—Starcraft Corporation in 1967, for $19,799,000 in cash and Common Stock with a market value of $4,778,000;

—Jensen-Wenck Marine (now Jensen Marine) in 1966, for $6,660,000 cash and $1.25 Preference Stock with a market value of $1,665,000.

—Metcalf & Eddy in 1967, for Common Stock with a market value of $2,640,000 plus up to an additional 40,000 shares of Common Stock delivered in 1968 with a market value of $1,922,500.

—Featherweight Corporation in 1969 for Bangor Punta Common Stock with a market value of $3,154,568 (Canadian) and $165,000 (Canadian) in cash plus additional shares of Common Stock of Bangor Punta not to exceed the lesser of 112,307 shares or that number of shares with a value on their delivery date of $4,180,432 (Canadian) such additional shares to be dependent on future earnings of the acquired business. Pursuant to option agreements with the sellers of Featherweight Corporation, Bangor Punta has repurchased 20% of the initial shares of Common Stock issued to such sellers at the market value at issuance and Bangor Punta may require such sellers to sell or such sellers may require Bangor Punta to repurchase the remaining 80% of such shares of Common Stock.

On July 30, 1968, Waukesha Motor Company was merged into Bangor Punta. As a result of the merger, 574,214 shares of $2.00 Convertible Preference Stock—Series C and 119,628 shares of Common Stock have been issued or are issuable to former Waukesha shareholders on the basis of 1.2 shares of Preference Stock and .25 shares of Common Stock for each share of Waukesha common stock. Two former shareholders of Waukesha filed suit in September 1968 in the United States District Court for the Eastern District of Wisconsin against Bangor Punta seeking to rescind the merger and seeking damages in the amount of $1,000,000. In the opinion of Bangor Punta's General Counsel, the action is substantially without merit.

On August 23, 1968, Bangor Punta agreed to acquire Crosman Arms Company, Inc. ("Crosman"), a privately owned manufacturer of pellet guns powered by gas and compressed air which are used by sportsmen for target shooting. The consideration is to be 190,000 shares of a new $3.00 Convertible Preference Stock—Series D, which will be convertible into the Company's Common Stock (see "Description of Bangor Punta's Capital Stock"). In a statement attributed to Crosman in the July 17, 1969 Wall Street Journal it is reported that Crosman considers the transaction terminated. Bangor Punta believes that upon compliance with certain provisions of the acquisition agreement by Crosman the transaction can be completed. Bangor Punta has filed a complaint in the Supreme Court of the State of New York seeking to compel Crosman and its shareholders to consummate the transaction.

The stockholder's equity at September 30, 1968 of Crosman amounted to approximately $6,943,000, comprised of approximately $4,112,000 of working capital and $2,831,000 of fixed assets, less depreciation. Sales and net income of Crosman for the three years ended December 31, 1967 and the 9 months ended September 30, 1968 are tabulated below:

Year	Net Sales	Earnings Before Income Taxes	Net Income
1965	$5,611,144	$1,781,153	$ 877,152
1966	6,481,370	1,963,328	982,328
1967	8,206,911	2,612,944	1,304,714
1968 (9 months)	6,811,932	2,204,992	1,035,417

Bangor Punta has other acquisitions under consideration, but no assurance can be given that any will be consummated.

Other Transactions

Bangor Punta's wholly owned subsidiary, Operations, has entered into an agreement with Katy Industries, Inc. ("Katy") pursuant to which it will advise and assist Katy in a program of business diversification. Katy has granted Operations an option to purchase for $2 00,000 up to that number

of shares which equals 10% of Katy's common stock. The option is exercisable at a rate depending on the earnings of the businesses acquired by Katy. In addition, Operations acquired 88,875 shares of Katy common stock which it sold in December, 1968.

In private transactions in October 1967, Bangor Punta acquired 185,800 shares of common stock of Blaw-Knox Company at $42½ per share. These shares were sold to White Consolidated Industries, Inc., into which Blaw-Knox was merged, on May 2, 1968 at $60 per share. Bangor Punta, White Consolidated and Blaw-Knox were named as defendants in an action brought in April, 1968 in the United States District Court for the District of Delaware by former shareholders of Blaw-Knox. The plaintiffs seek relief requiring Bangor Punta, White Consolidated and Blaw-Knox to pay over to Blaw-Knox $10.25 per share with regard to the shares sold by Bangor Punta. Such amount represents the difference between the sale price and the closing price of Blaw-Knox Common Stock on the New York Stock Exchange on the date Bangor Punta executed an agreement to sell its Blaw-Knox stock to White Consolidated. In the opinion of Bangor Punta's General Counsel, the request for relief against Bangor Punta, which was not an "insider" of Blaw-Knox, is substantially without merit.

On May 3, 1968, Bangor Punta purchased 92,900 shares of common stock of Lenox, Incorporated, approximately 12.3% of the outstanding shares, for $40 per share in a private transaction. In 1968 the common stock of Lenox was split 3 for 2. Lenox is a manufacturer of fine china dinnerware and giftware, crystal stemware, Oxford bone china, and household plastic dinnerware (Melmac). In July, 1969 Lenox included Bangor Punta's shares in a registration statement filed with the Securities and Exchange Commission and Bangor Punta sold such shares at a net price of $50.37 per share.

MANAGEMENT OF BANGOR PUNTA

Directors and Executive Officers

The Directors and Executive Officers of Bangor Punta are as follows:

Name	Office
Nicolas M. Salgo*	Chairman of the Board of Directors
William C. Douglas	Honorary Chairman of the Board of Directors
W. Gordon Robertson*	Director and Co-Chairman of the Board of Directors and Chairman of the Executive Committee
David W. Wallace*	Director, President and Chief Executive Officer
John E. Flick (1)	Director, Senior Vice President, General Counsel and Secretary
W. Jerome Strout	Director and Vice President of Bangor Punta, and President of the Railroad
Harry S. Baker	Director of Bangor Punta and Chairman of Producers Cotton Oil Company
James S. Garvey	Director
William E. Hill	Director
Curtis M. Hutchins*	Director
George S. Jones*	Director
Frederick H. Kingsbury, Jr.*	Director
Scott K. Lowry	Director
Walter B. McKinney	Director
George H. Seal	Director
Robert G. Stone*	Director

Name	Office
James G. Tremaine	Director
Harry C. Wood	Director
Stephen Galle	Senior Vice President
Thomas D. Stephenson	Vice President—Administration and Treasurer
Carl E. Delano	Vice President—Personnel
Jack G. Milne	Vice President—Corporate Relations
Marc F. Wray	Vice President
Harold E. Ehrenstrom	Vice President

* Member of the executive committee of the Board of Directors.

(1) Elected to the Board of Directors on May 21, 1969.

Each of the Executive Officers of Bangor Punta has been actively engaged as such in the affairs of Bangor Punta, B&A or the organization now an operating unit of Bangor Punta with which he is primarily concerned, for at least the past five years, except for Messrs. Wallace, Flick, Milne, Wray and Ehrenstrom. Mr. Wallace was Executive Vice President of AMK Corporation prior to becoming President of Bangor Punta in May 1967. Mr. Flick was Divisional General Counsel, Director of Corporate Contracts and Assistant to the General Counsel at Litton Industries, Inc. prior to October 1967 when he joined Bangor Punta as Vice President, General Counsel and Secretary. Mr. Milne held press and public relations positions with United Air Lines prior to joining Bangor Punta in January 1968 as manager of corporate relations. In 1964, Mr. Wray joined Bangor Punta as an Assistant Secretary and Nicolas Salgo & Co as an Associate; he became a full time employee of Bangor Punta in 1967, and was elected a Vice President in 1968. From 1964 to 1966 Mr. Ehrenstrom was employed by Nicolas Salgo & Co.; from 1966 to 1968 he was associated with McKinsey & Company, and he became an employee of Bangor Punta in 1968. He was elected a Vice President in 1969.

Remuneration

The aggregate direct remuneration accrued by Bangor Punta and its subsidiaries during the fiscal year ended September 30, 1968 for the account of each of the three highest paid officers of Bangor Punta, each other director whose aggregate direct remuneration exceeded $30,000, and all officers and directors as a group, and the estimated annual retirement benefits payable under existing plans to each named individual, are set forth below.

Individual or group, and capacity in which remuneration was received(1)	Aggregate Direct Remuneration	Estimated Annual Benefits Retirement
Nicolas M. Salgo Chairman of the Board of Directors.	$ 87,115	(2)
W. Gordon Robertson Director, Chairman of the Executive Committee and Chief Executive Officer of Bangor Punta and of Operations, and Chairman of the Board and of the Executive Committee of the Railroad. (4)	$ 91,667	$ 26,983(2)(3)
David W. Wallace Director, President and Chief Operating Officer of Bangor Punta, and President of Operations. (4)	$ 63,692	(2)
Harry S. Baker Director of Bangor Punta and Chairman of Producers Cotton Oil Company.	$ 65,328	$ 12,000(5)

Individual or group, and capacity in which remuneration was received(1)	Aggregate Direct Remuneration	Estimated Annual Retirement Benefits
W. Jerome Strout ..... Director and Vice President of Bangor Punta and Director, member of the Executive Committee and President of the Railroad.	$ 50,000	$ 18,340(3)(6)
Robert L. Chambers ..... Director and Vice President of Bangor Punta, and President of BSP Corporation.	$ 30,500(7)	—
All Directors and Officers as a group (25)	$555,638	(8)

(1) References to "Operations" are to Bangor Punta Operations, Inc., a subsidiary of Bangor Punta, which owns either as divisions or subsidiaries, or through subsidiaries, all of the operating units of Bangor Punta except Producers Cotton Oil Company, 98% of the stock of which was owned by Bangor Punta on November 30, 1968.

(2) Under agreements dated as of October 1, 1968 with Bangor Punta, Messrs. Salgo, Robertson and Wallace will receive deferred annual compensation equal to one-half of their direct remuneration, payable upon their retirement or termination of their employment, whichever comes first. Mr. Salgo's deferred compensation will be based on his remuneration beginning as of January 1, 1960 and, assuming Mr. Salgo's continued employment at his present salary for 11 years until retirement at age 65, will be $83,080 per year. Mr. Robertson's deferred compensation will be based on his remuneration beginning as of July 1, 1957 and, assuming Mr. Robertson's continued employment at his present salary for 8 years until retirement at age 65, will be $67,727 per year. Mr. Wallace's deferred compensation will be based on his remuneration beginning as of May 2, 1967 and, assuming Mr. Wallace's continued employment for 21 years until retirement at age 65, will be $85,978 per year. The deferred compensation will be payable in each case in monthly installments over a ten year period. Any amounts received by Mr. Robertson under the Railroad's Retirement Plan (see note 3 below) will be deducted from the amounts otherwise payable under Mr. Robertson's deferred compensation agreement.

(3) Messrs. Robertson and Strout participate in the Railroad's Retirement Plan, which contemplates payments to a covered employee who retires at age 65 after 30 years of service at an annual rate of 45% of his average compensation less 85% of the benefits to which he is entitled under the Federal Railroad Retirement Act. The estimated annual retirement plan benefit has been computed under a fixed formula assuming that the rate of compensation of the participant will remain unchanged, that he will continue in employment until, and retire at, age 65 and that the retirement plan will continue in effect without change. Except for $1,706 payable to Mr. Strout (see note 5 below), the amounts shown are benefits payable under this plan.

(4) At a Board of Directors meeting held on April 1, 1969 Mr. Robertson was elected Co-Chairman of the Board of Directors. Mr. Robertson remains Chairman of the Executive Committee, and Chairman of the Board and of the Executive Committee of the Railroad. Mr. Wallace was elected Chief Executive Officer at that Board meeting.

(5) Mr. Baker, who retired in 1969, has a deferred compensation agreement with Producers Cotton Oil Company, pursuant to which he acts in an advisory capacity, and under which Producers has agreed to pay Mr. Baker at least $12,000 a year for the ten years following his retirement. If Mr. Baker dies before all payments are made under such contract, the remaining payments will be made to his spouse.

(6) Mr. Strout has a deferred compensation agreement with the Railroad, pursuant to which Mr. Strout has agreed to remain a full time employee of the Railroad until retirement age and to act in an advisory capacity thereafter, and the Railroad has agreed to pay Mr. Strout $1,706 per year following his retirement. If Mr. Strout dies before the payment of ten such annual payments, a payment of $1,706 will be made annually to his spouse or, if she is deceased, to his estate, until a total of $17,060 has been paid in connection with such agreement.

(7) Mr. Chambers resigned as a Director on May 21, 1969. Mr. Chambers had a consulting agreement with Bangor Punta, which expired on December 31, 1968, and which entitled him to an annual salary of $24,000.

(8) Under agreements effective as of October 1, 1968, Mr. Flick, who was elected to the Board of Directors on May 21, 1969, and Mr. Galle will receive deferred annual compensation equal to one-half of their direct remuneration, payable upon their retirement or termination of employment, whichever comes first. Assuming Mr. Flick's continued employment at his present salary for eighteen years until retirement at age 65, his deferred compensation will be $61,750 per year. Assuming Mr. Galle's continued employment at his present salary for ten years, until retirement at age 65, his deferred compensation will be $22,500 per year. The deferred compensation will be payable in monthly installments over a ten-year period. Under a separate employment agreement, Mr. Flick is entitled to receive a minimum annual salary of $55,000 per year through October 9, 1971.

Certain officers and directors are eligible to participate in the Bangor Punta Employees Profit Sharing Plan and Trust, and in the Key Executive Incentive Plan, both of which plans were approved by the stockholders at the 1968 Annual Meeting and in certain other employee benefit plans.

1. *Profit Sharing Plan.* The Profit Sharing Plan provides that each of Bangor Punta's businesses (the "Participating Employers") shall make Profit Sharing Contributions on behalf of their respective employees who participate in such Plan ("Participating Employees"). Approximately 2,100 employees,

including 4 officers of Bangor Punta, 3 of whom are directors, are eligible to participate. The amount which the Participating Employers will contribute will be determined each year by the Board of Directors of Bangor Punta after consultation with the chief executive of each Participating Employer, based on the profits of the respective Participating Employers. Profit Sharing Contributions will be allocated among Participating Employees according to a formula weighted for each Participating Employee's age and service.

A Participating Employee may make Voluntary Contributions under the Plan not exceeding 5% of his Compensation (as defined in the Plan) earned in the year of contribution. Bangor Punta intends to make Supplemental Contributions to the Plan on behalf of participating employees who make Voluntary Contributions at the rate of $1 for each $3 of such Voluntary Contributions.

The Plan became effective on September 30, 1967. An aggregate amount of $140,000 was deposited with the Trustee, Old Colony Trust Company, by two subsidiaries of Bangor Punta as Profit Sharing Contributions under the Plan in respect to fiscal year 1967 and for fiscal 1968 a $288,716 provision has been made for profit sharing contributions under the Plan.

Because the contribution rates are set annually by the Board of Directors of Bangor Punta and amounts depend both on return on investment and amount of eligible compensation, Profit Sharing contributions for the 1968 fiscal year will be accurately determined only after the employees' calendar earnings are available following the close of the calendar year. In fiscal 1969 the Profit Sharing Plan will be revised so that employees' fiscal year earnings will be used in the profit sharing contribution formula and thus the aggregate amount of profit sharing contributions will be available at an earlier date.

While accurate projection cannot be made for 1969 and future years, no director, and none of the three highest paid officers of Bangor Punta participated in the plan during the 1968 fiscal year.

2. *Key Executive Incentive Plan.* The Incentive Plan is intended to provide extra compensation to those key executives of Bangor Punta and its subsidiaries who contribute significantly to the success of Bangor Punta. The Remuneration Committee of the Board of Directors will select the persons to participate in the Incentive Plan on a year to year basis. Seventeen executives were so selected for the 1968 fiscal year.

In respect to each fiscal year, each eligible executive will submit in writing to the Chief Executive Officer of Bangor Punta performance objectives to be met by himself in the upcoming fiscal year. These objectives shall be consistent with approved fiscal year plans and budgets, and shall be described in detail. As a reward for meeting these objectives, the Participant shall receive a bonus, in addition to his base salary.

A "normal" bonus shall be set for each Participant by the Remuneration Committee of the Board of Directors; this is the amount to be paid as a bonus if the Participant meets but does not exceed his objectives. Such "normal" bonuses will range between 25% and 40% of a Participant's annual salary. The amount actually paid may be greater or less than the "normal" bonus if the Participant exceeds or fails to meet his performance objectives. Bangor Punta's Chief Executive Officer shall be the sole judge of how well a Participant meets his objectives. The bonuses shall be paid from an "incentive pool" which need not be wholly awarded in any single year. The value of the "incentive pool" shall not exceed the lesser of (i) 10% of pre-tax net income of Bangor Punta (including non-recurring gains or losses and interest expense), plus any undistributed portion of the previous year's "incentive pool", after deducting 10% of Bangor Punta's net worth and 10% of the average principal amount of debt outstanding during the year, and (ii) 1½ times the sum of all "normal" bonuses set by the Remuneration Committee in respect to that fiscal year. Based on pre-tax net income and average debt outstanding during fiscal year 1967 as well as the net worth of Bangor Punta at the close of the fiscal year, the value of the "incentive pool" could not have exceeded $108,100. Approximately $121,284 has been reserved for payment as "normal" bonuses for fiscal 1968 performance. One director of Bangor Punta participated in the Incentive Plan during its 1968 fiscal year.

3. *Other Employee Benefit Plans.* Employees of several Bangor Punta companies and of corporate headquarters are covered by pension, profit sharing and other remuneration programs. The plans in which directors and officers participate are briefly described as follows:

(a) The Retirement Plan for employees of Bangor Punta Corporation provides for an annual payment to a covered employee who retires at age 65. The amount of such payment, which cannot exceed $16,000, is calculated according to a formula on the basis of the employee's career earnings. All employees of Bangor Punta with one year's service who have attained the age of 35 are eligible to participate in the plan. A total of nine employees are now covered by the plan, of which two are officers of the Corporation. No director of Bangor Punta and none of its three highest paid officers are covered by the plan. Bangor Punta is considering amending this Plan in a manner which will not affect present participants but will eliminate participation by employees not now members.

(b) The Retirement Plan for employees of the Bangor & Aroostook Railroad provides for payments to each eligible employee who retires at age 65. Eligible employees are all persons regularly employed on a full-time basis by the Railroad for five years or more, who are not compensated for over-time work and whose conditions of employment are not subject to collective bargaining. Messrs. Robertson and Strout participate in this plan (See Note 3 under Remuneration) as does one other officer of Bangor Punta. No other director or officer of Bangor Punta participates in this plan.

(c) Employees of BSP Corporation participate in a profit sharing plan which provides for annual contributions to a trustee of 25% of profits before taxes for each fiscal year in excess of the larger of (i) $200,000 or (ii) 10% of invested capital (as defined in such plan). The amounts so deposited are credited to the account of the participants in the plan in proportion to their base salaries. Ten per cent of a particular participant's interest vest each year. Mr. Chambers was paid $12,894 in January 1968 in full payment of his interest in this plan. No other director or officer of Bangor Punta participates in this plan.

(d) Employees of Producers Cotton Oil Company, a subsidiary of Bangor Punta Corporation, participate in an insured retirement plan. Mr. Baker has a vested interest of $1,248.15 per month and it is expected that upon his retirement in 1969 his monthly retirement payments will be $1,255.53. No other director or officer of Bangor Punta participates in this plan.

Eleven other Bangor Punta companies have deferred employee benefit plans, and several operating units including those mentioned in (c) and (d) above, have union retirement plans. Costs incurred under and contributions made to all of the pension, retirement, bonus, profit sharing or other remuneration plans of Bangor Punta and its subsidiaries amounted to $50,094, $217,172, $810,297, $1,075,545 and $1,557,938 in 1964, 1965, 1966, 1967 and 1968 respectively. The increase of these costs in 1966 was principally attributable to the profit sharing plan contribution of Smith & Wesson, a business acquired by Bangor Punta that year. The increase in costs in 1968 was principally attributable to the profit sharing contribution of businesses acquired in that year. Approximately 3,400 employees are currently participating in one or another of these plans. It is expected that these plans will eventually be integrated with the Bangor Punta Profit Sharing Plan described above. Except as set out above no director or officer participated in these plans.

Stock Options

As of April 30, 1969 there were outstanding options to purchase an aggregate of 111,304 shares of Bangor Punta's Common Stock and 1,375 shares of its $1.25 Convertible Preference Stock.

Of this total, options covering 12,584 shares of Common and all of the Preference Shares were granted prior to 1964, and are intended to be restricted stock options as defined in Section 424 of the Internal Revenue Code. These options are exercisable for not longer than 10 years from their respective

dates and at prices ranging from 95% to 100% of the market value of the shares covered at the date of grant. In some instances, the options are not exercisable for a year or more following their date of grant and thereafter are exercisable in annual cumulative instalments. Under certain circumstances the options may be exercised for three months (except in the case of three options, which may be exercised for nine months) following termination of employment, and they are exercisable for periods varying from three months to one year following the death of the optionee. The remaining options covering 98,720 shares of Common were granted since January 1, 1964, and are intended to be qualified stock options, as defined in Section 422 of the Internal Revenue Code. These options were granted pursuant to Bangor's 1965 Stock Option Plan as amended. Under the Plan, which expires in 1975, options may be granted to "key employees" to purchase shares of Common at the market value of such stock on the date of grant for a period of five years from the date of grant. An additional 27,280 shares of Common are available for the grant of future options under the Plan. The outstanding qualified stock options may not be exercised by an optionee while there is "outstanding" within the meaning of the Internal Revenue Code any other option in favor of the employee to purchase shares of Bangor Punta's stock which was granted prior to the granting of such later option.

All outstanding options and any further options which may be granted under the 1965 Plan are subject to customary antidilution provisions.

All of the options originally covered only shares of Common Stock of Bangor Punta or of the acquired company that granted the original option for which Bangor Punta's option has been substituted; some are now exercisable in units of Common and Preference due to the operation of antidilution provisions contained in the options or in the plans or agreements pursuant to which they were granted. The following table shows the average per unit exercise prices, the market value per unit as of April 30, 1969, the number of shares covered and ranges of expiration dates of all of the options outstanding on April 30, 1969.

Title of Option Plan	Shares Called For By Options		Exercisable in Units Comprised of Shares of		Market Value Per Unit as of April 30, 1969	Average Exercise Price Per Unit	Range of Expiration Dates of Options
	Common	Preference	Common	Preference			
1965 Stock Option Plan	98,720	—	1.0	—	$35.38	$34.69	Jan. 18, 1970-Apr. 30, 1969
1961 Option Plan	407	148	1.1	0.4	$52.58	$16.36	Jan. 8, 1972
1963 Stock Options	9,025	912	1.0	0.1	$38.86	$11.54	May 20, 1973-July 17, 1973
1962 Incentive Stock Options	3,152	315	1.0	0.1	$38.86	$ 8.57	Mar. 6, 1972
	111,304	1,375					

The following tabulation includes outstanding options held as of April 30, 1969 by each director of Bangor Punta and each of the three highest paid officers of Bangor Punta, whose aggregate direct remuneration paid by Bangor Punta during its last fiscal year exceeded $30,000, and by all directors and officers as a group as follows:

Name	Shares Called For By Options		Exercisable in Units Comprised of Shares of		Market Value Per Unit as of April 30, 1969	Average Exercise Price Per Unit	Range of Expiration Dates of Options
	Common	Preference	Common	Preference			
David W. Wallace	19,200	—	1.0	—	$35.38	$34.38	May 2, 1972
All officers and directors as a group	30,200	—	1.0	—	$35.38	$35.10	Oct. 20, 1970-Apr. 1, 1974

On November 14, 1967, the Board of Directors voted to grant three officers of Bangor Punta options to purchase an aggregate of 6,500 shares of Bangor Punta Common Stock at an aggregate price of $130,000 ($20 per share). On that date, the highest recorded sales price for such stock was $38¼ per share. All of such options were exercised on the date of grant, and the three officers became indebted to Bangor Punta in the aggregate amount of the exercise price. One of such officers has since resigned and 1,800 of the 2,000 shares granted him were redelivered to Bangor Punta pursuant to restrictions in the option

contract requiring such redelivery; the exercise price was paid with respect to the shares retained by him and the indebtedness was cancelled with respect to the shares returned to Bangor Punta. No interest is being charged on the outstanding indebtedness of the other two officers, which remained at $90,000 as of September 30, 1968. In the event that one officer terminates his employment prior to November 1, 1972, or the other officer terminates his employment prior to November 1, 1977, some or all of his shares may be required to be redelivered to Bangor Punta, and upon such redelivery, his corresponding indebtedness will be cancelled.

On January 9, 1968 the Board of Directors voted to grant an employee, now an officer, of Bangor Punta an option to purchase 500 shares of Bangor Punta Common Stock at a price of $10,000 ($20 per share). On that date, the highest recorded sales price for such stock was $59½ per share. Such option was exercised on March 8, 1968 and such person became indebted to Bangor Punta in the aggregate amount of the exercise price. No interest is being charged on the outstanding indebtedness, which remained at $10,000 as of September 30, 1968. In the event that he terminates his employment prior to January 8, 1973, some or all of his shares may be required to be redelivered to Bangor Punta, and upon such redelivery, his corresponding indebtedness will be cancelled.

On October 1, 1968, the Board of Directors approved the grant of an option to an officer on July 1, 1968 to purchase 500 shares of Bangor Punta Common Stock at a price of $10,000 ($20 per share). On July 1, 1968 the highest recorded sales price for such stock was $43⅛ per share. Such option was exercised as of October 1, 1968 and such person became indebted to Bangor Punta in the aggregate amount of the exercise price. No interest has been charged on the loan. In the event that such person terminates his employment prior to July 1, 1973, some or all of his shares may be required to be redelivered to Bangor Punta, and upon such redelivery his corresponding indebtedness will be cancelled.

Interest of Bangor Punta Directors and Officers in Certain Transactions

Mr. George H. Seal, a director of Bangor Punta, is the Chairman of and has a substantial interest in C. H. Sprague & Son Co. which for many years has supplied a part of the Railroad's fuel requirements. Payments to Sprague on this account in the fiscal year 1968 totalled $57,483.

Mr. Frederick H. Kingsbury, Jr., a director of Bangor Punta, is a partner of Brown Brothers Harriman & Co. which has been one of Bangor Punta's lending banks since 1961. Brown Brothers participates, upon terms and at rates identical for all lending banks, in Bangor Punta's bank loans to the extent of 5¼% of the principal amount outstanding from time to time. Bangor Punta and one of its subsidiaries paid Brown Brothers a total of $117,930 in interest during the fiscal year 1968, $122,382 in interest during the fiscal year 1967, and $70,920 in interest during the fiscal year 1966. For the interest rates and other information with respect to these loans see Note 4 of Notes to Consolidated Financial Statements of Bangor Punta Corporation and Consolidated Subsidiaries. Pursuant to the provisions of the bank loan agreement, Bangor Punta is obligated to pay a commitment fee equal to ¼ of 1% per year on the amounts by which the banks' commitments under such bank loan agreement exceed at any time the amount of loans outstanding under the agreement. Such commitment fees to date have not been material in amount. In addition, Bangor Punta paid Brown Brothers $18,570 in brokerage commissions in the 1968 fiscal year.

Mr. Nicolas M. Salgo, Chairman of the Board of Directors of Bangor Punta, in April, 1968 sold 100,000 shares of common stock and $72,000 in principal amount of 6% Collateral Trust Bonds of Manati Sugar Company to Bangor Punta Operations, Inc. The stock purchase represents approximately 13.5% of the outstanding shares of Manati. The consideration paid by Operations was Mr. Salgo's cost of $23,620 ($00.2362 per share) for the shares and $21,920 for the bonds. At the time Operations purchased the 100,000 shares of common stock of Manati, it also agreed to guarantee payment by Manati of a bank loan made to Manati to enable it to acquire an income-producing property and to guarantee payment by Manati of the consideration due the seller of such income-producing property. A wholly owned

subsidiary of Operations, Enesco, Inc., entered into a contract with Manati whereby it undertook to assist Manati in acquiring income-producing properties. Mr. Salgo no longer owns any beneficial interest in any shares of common stock or bonds of Manati. Mr. Marc F. Wray and Mr. Stephen Galle, Vice Presidents of Bangor Punta, are the beneficial owners of 20,000 and 10,000 shares of common stock of Manati, respectively; they derive no benefit from such ownership not applicable to all shareholders of Manati pro rata.

On June 12, 1968 Operations entered into an agreement with The Francisco Sugar Company whereby it acquired warrants to purchase 165,000 shares of capital stock of Francisco (including warrants to purchase 5,000 shares, acquired as nominee for Mr. Wray). Pursuant to such agreement, Operations undertook to guarantee payment by Francisco of certain bank loans made to Francisco to enable it to acquire income-producing properties. The agreement contains substantially the same terms and provisions as an earlier agreement (which has been terminated) between Francisco and Nicolas Salgo & Company, Inc., of which Mr. Salgo is the Chairman and largest shareholder. At the same time, Enesco, Inc., entered into an agreement with Francisco whereby it undertook to assist Francisco in acquiring income-producing properties. The warrants to purchase 5,000 shares acquired by Operations as nominee for Mr. Wray were purchased by him from Operations at its cost; he derives no benefit from his ownership not applicable to all warrant-holders of Francisco pro rata. On March 14, 1969 Operations exercised its warrants and purchased 160,000 shares of Francisco capital stock.

Mr. Harry S. Baker, a director of Bangor Punta and Chairman of Producers, was one of the stockholders of Producers holding in the aggregate 51% of the common stock of Producers who entered into an agreement with Bangor Punta in June 1967 pursuant to which Bangor Punta made a tender offer for Producers common stock in December 1967. Mr. Baker had no connection with Bangor Punta at the time and received no extra or special benefit from such transaction not applicable to all shareholders of Producers pro rata.

DESCRIPTION OF BANGOR PUNTA'S CAPITAL STOCK

The following statements include summaries of certain attributes which Bangor Punta's capital stock has under its Restated Certificate of Incorporation, and Certificates of Designation of Preferences, etc. relating to the Preference Stock. These statements are qualified in their entirety by reference to the provisions of such Certificates, copies of which are available for examination at Bangor Punta's principal office and at the office of the Securities and Exchange Commission, Washington, D. C.

Dividend Rights

Bangor Punta's $1.25 Convertible Preference Stock and $2.00 Convertible Preference Stock—Series C together have a prior right to cumulative dividends, payable quarterly at the annual rate per share of $1.25 and $2.00, respectively.

The payment of dividends is subject to certain restrictions in Bangor Punta's outstanding loan agreements. Giving effect to the most restrictive provisions, $6,068,641 was available for the payment of dividends on Bangor Punta stock as of September 30, 1968, and 50% of Consolidated Net Income, as defined therein, accruing after that date will be available for the payment of dividends. The annual dividend requirements in respect of the shares of $1.25 Convertible Preference Stock and $2.00 Convertible Preference Stock—Series C outstanding on November 30, 1968 (or issuable pursuant to the Waukesha merger) aggregated $1,148,772. Subject to the rights of the holders of all other classes of Bangor Punta's stock, and the restrictions in outstanding loan agreements, the holders of Common Stock may receive such dividends as the Board of Directors may from time to time declare out of any funds legally available for the payment of such dividends. Bangor Punta is further required under its outstanding loan agreements to maintain Consolidated Working Capital equal to at least 75% of its Con-

solidated Funded Debt other than Subordinated Debt (as defined in such agreements). Giving effect to the most restrictive provisions, the required working capital increases in stages to 125% of Consolidated Funded Debt other than Subordinated Debt in 1976.

Voting Rights

The holders of each class of Bangor Punta's stock are entitled to one vote for each share of whatever class held on all matters voted upon by shareholders, except as may otherwise be provided by law and except that if Bangor Punta defaults in the payment of dividends on the $1.25 Convertible Preference Stock or the $2.00 Convertible Preference Stock—Series C in an amount equal to six quarterly dividends (whether or not consecutive) the holders of such stock, in the aggregate, will be entitled to elect two directors.

Non-Cumulative Voting

Bangor Punta's stockholders have non-cumulative voting rights which means that the holders of more than 50% of the shares voting for the election of directors can elect 100% of the directors if they choose to do so, and, in such event, the holders of the remaining less than 50% of the shares voting for the election of directors will not be able to elect any person or persons to the Board of Directors.

Liability to Assessment

The outstanding shares of Bangor Punta's Common Stock, $1.25 Convertible Preference Stock, and $2.00 Convertible Preference Stock—Series C are fully paid and non-assessable.

Preemptive Rights

No Bangor Punta stockholder has any preemptive rights.

Liquidation Rights

Bangor Punta's $1.25 Convertible Preference Stock have a prior right to $25 per share, upon the dissolution, winding-up or liquidation of Bangor Punta. Bangor Punta's $2.00 Convertible Preference Stock has a prior right (together with Bangor Punta's $1.25 Convertible Preference Stock) to $50 per share upon the involuntary dissolution, winding-up or liquidation of Bangor Punta or to the following amounts per share upon the voluntary dissolution, winding-up or liquidation of Bangor Punta: $54 during a six year period commencing July 30, 1968; $53 during the first succeeding year period; $52 during the second succeeding year period; $51 during the third succeeding year period; and $50 thereafter. Upon the dissolution, liquidation or winding-up of Bangor Punta, the holders of Common Stock will be entitled to receive, pro rata, the assets of Bangor Punta available for distribution to to shareholders remaining after provision for creditors and the rights of senior classes of stock. There are no restrictions on surplus by reason of the excess of the preference of the $1.25 Convertible Preference Stock and $2.00 Convertible Preference Stock—Series C on liquidation over the par value thereof, and no remedy is available to any holder thereof based on the payment of a dividend that reduces surplus to an amount less than the amount of such excess.

Redemption

The $1.25 Convertible Preference Stock is redeemable at the option of Bangor Punta at $25.75 per share through September 15, 1969, at $25.50 per share through September 15, 1970, and at $25.25 per share thereafter. The Board of Directors has formally expressed its intent not to redeem the $1.25 Convertible Preference Stock prior to September 15, 1971. The $2.00 Convertible Preference Stock will not be redeemable until July 30, 1973. Thereafter it will be redeemable at the option of Bangor Punta at $54 per share through July 29, 1973; at $53 through July 29, 1974; at $52 through July 29, 1975; at $51 through July 29, 1976; and thereafter at $50. Payment of all dividends accrued and unpaid to the date of redemption will be required on any shares which are redeemed.

The Common Stock is not redeemable.

Conversion Rights

The $1.25 Convertible Preference Stock is convertible by the holders thereof into Bangor Punta's Common Stock on a share for share basis, subject to adjustment to prevent dilution from stock splits and stock dividends. The $2.00 Convertible Preference Stock is convertible by the holders thereof into Bangor Punta's Common Stock on the basis of one and one tenth (1.1) shares of Common Stock for each share of $2.00 Convertible Preference Stock, subject to adjustment to prevent dilution from the issuance of Bangor Punta's Common Stock for a consideration less than the Conversion Price, as well as from stock splits and stock dividends. All unpaid dividends which have accrued to the dividend date immediately preceding the date of surrender of shares for conversion must be paid or otherwise provided for before any dividend or distribution may be made on the Common Stock. Fractional interests arising on conversion will be settled in cash. The Common Stock is not convertible.

$3.00 Convertible Preference Stock—Series D

In connection with its proposed acquisition of Crossman Arms Company, Inc. (see "Acquisitions by Bangor Punta since Combination") Bangor Punta intends to authorize and issue its $3.00 Convertible Preference Stock—Series D. Such stock would have the prior right, together with Bangor Punta's other Preference Stock to cumulative dividends payable quarterly at the annual rate of $3.00 per share. In the event of the occurrence of certain events, involving the tax treatment of such dividends, such stock will have the right to an additional annual dividend of $2.00 a share. The holders of such stock would be entitled to one vote, non-cumulative, for each share on all matters voted on by shareholders and, except as may otherwise be provided by law, and except that if Bangor Punta defaults in the payment of dividends on its Preference Stock, including such $3.00 Convertible—Series D, in an amount equal to six quarterly dividends (whether or not consecutive), the holders of such stock, in the aggregate, will be entitled to elect two directors. When issued, such stock will be fully paid and non-assessable without preemptive rights. Upon the dissolution, winding up or liquidation of Bangor Punta the $3.00 Convertible Preference Stock —Series D will have a prior right to $100 per share. Subsequent to 5 years from the date of its issuance or upon the death of Mr. Phillip H. Hahn, Sr., whichever occurs later such stock will be redeemable at the rate of $100 per share. The $3.00 Convertible Preference Stock—Series D will be convertible during certain periods commencing the month following its date of issuance (except that it may be converted at any time subsequent to a call for redemption and prior to the date fixed for such redemption) into Bangor Punta's Common Stock, at a conversion ratio based on the then market price of Bangor Punta's Common Stock but in no event at a ratio of more than 2.5 shares of Common Stock for each share of such preference stock. Upon the issuance of such $3.00 Convertible Preference Stock—Series D, it is presently estimated that approximately 56% will be owned by Mr. Phillip H. Hahn, Sr., and approximately 13% will be owned by Sadie M. Hahn.

Principal Holders of Equity Securities

No stockholder was known by Bangor Punta to own 10% or more of any class of its voting securities, of record or beneficially, as of April 30, 1969; however Mr. Russell MacPhail was the record owner of 73,800 shares of its $2.00 Convertible Preference Stock—Series B on such date and is believed by Bangor Punta to have owned beneficially on such date an additional 37,920 shares of its Preference Stock, which would amount to a total of 106,080 shares owned of record and beneficially, or 19.2% of the $2.00 Preference Stock outstanding on January 10, 1969.

As of April 30, 1969 all directors and officers of Bangor Punta as a group (25 persons) owned beneficially, directly or indirectly 374,634 shares of Common Stock, 273 shares of $1.25 Convertible Preference Stock and 240 shares of $2.00 Convertible Preference Stock—Series B, which ownership represented approximately 10%, 18% and less than 1% respectively of the shares of each such stock outstanding.

DESCRIPTION OF THE WARRANTS

Bangor Punta's Warrants—Series C have been issued and are issuable under a warrant agreement (the "Warrant Agreement") dated as of February 28, 1969 between Bangor Punta and Irving Trust Company, as Warrant Agent (the "Warrant Agent"). A copy of the form of Warrant Agreement is available for inspection at the principal office of Bangor Punta and at the office of the Securities and Exchange Commission, Washington, D. C., and the statements contained herein are brief summaries of certain provisions contained therein, do not purport to be complete, are subject to all the provisions of the Warrant Agreement and are qualified in their entirety by the reference to the Warrant Agreement.

The Warrants are fully registered and may be presented for transfer, exchange or exercise at the office of the Warrant Agent, New York, New York, at any time prior to the close of business on March 31, 1981, at which time the Warrants become wholly void and of no value.

The Warrants shall be dated the date of issue and shall entitle the holders thereof to purchase the number of shares of Bangor Punta Common Stock as set forth therein, in whole or in part, subject to adjustment in accordance with anti-dilution provisions. See below "Adjustment of Warrant Price and Shares."

Warrant Exercise Price

The Warrant Exercise Price at which each share of Common Stock shall be purchasable pursuant to the exercise of the Warrants shall be $55 per share, subject to adjustment in accordance with anti-dilution and other provisions. See below "Adjustment of Warrant Exercise Price and Shares" and "Reduction of Warrant Exercise Price". The term "Warrant Exercise Price" means such price in effect on any date and as adjusted from time to time.

Payment of Warrant Exercise Price and Use of Debt Securities Therefor

The Warrant Exercise Price for each share of Common Stock purchasable pursuant to the exercise of the Warrants is payable in lawful money of the United States of America, provided, however, that in addition to payment of the Warrant Exercise Price in lawful money of the United States of America, at any time upon due notice Bangor Punta may permit payment of the Warrant Exercise Price to be made in whole or in part by surrendering debt securities of Bangor Punta.

Adjustment of Warrant Exercise Price and Shares

The Warrant Exercise Price and the number of shares covered by the Warrants are required by the Warrant Agreement to be adjusted in the event Bangor Punta issues any additional shares of its Common Stock for a consideration per share less than the Warrant Exercise Price then in effect, in the event of a subdivision, consolidation or reclassification of its shares of Common Stock and in certain other events that would cause a dilution of the Warrants, except no adjustment is required to be made as a result of the exercise or conversion of convertible securities and other Common Stock purchase warrants of Bangor Punta outstanding on the date of the Warrant Agreement, or upon exercise of certain stock options, or as the result of the issuance of Bangor Punta's Common Stock or convertible securities pursuant to acquisition agreements calling for such issuance.

Reduction of Warrant Exercise Price

The Warrant Agreement provides that Bangor Punta may at any time and from time to time voluntarily reduce the Warrant Exercise Price then in effect by an amount not in excess of 33⅓% of

the then Warrant Exercise Price for such period or periods of time of not less than 21 days as the Board of Directors of Bangor Punta may determine. Bangor Punta has been told by the American Stock Exchange that, as a condition to listing the Warrants on such Exchange, the Exchange would require that Bangor Punta agree with it not to exercise its right to reduce the Warrant Exercise Price. Bangor Punta has advised the Exchange that it will agree to such condition.

Redemption

The Warrant Agreement provides that the Warrants may be redeemed in whole or in part, upon 30 days' notice, by Bangor Punta at a price of $55 for each share of Common Stock purchasable upon the exercise of the Warrants to be redeemed payable to the holder thereof by Bangor Punta. Prior to the date of redemption the Warrants to be redeemed may be exercised by the holder thereof.

Warrant Holder Not Deemed a Stockholder

No holder, as such, of any Warrant shall be entitled to vote or receive dividends or be deemed the holder of Bangor Punta Common Stock for any purpose whatever, until such Warrant shall have been duly exercised and payment of the Warrant Exercise Price shall have been made.

DESCRIPTION OF THE DEBENTURES

The 8¼% Convertible Subordinated Debentures due 1994 are to be issued under an indenture (the "Indenture") to be dated as of July 1, 1969 between Bangor Punta and Irving Trust Company, Trustee. A copy of the Indenture substantially in the form in which it will be executed is available for inspection at the principal office of Bangor Punta and at the office of the Securities and Exchange Commission, Washington, D. C. The following summary of the Debentures and the Indenture is based upon the Indenture and is qualified in its entirety by reference thereto. References herein are to the Indenture, and wherever particular provisions are referred to, such provisions are incorporated by reference as a part of the statement made, and the statement is qualified in its entirety by such references. Wherever a defined term is indicated, the definition thereof is contained in the Indenture.

General

The Indenture permits the issue of debentures of various series without limit as to the aggregate principal amount thereof. The Debentures may be issued from time to time prior to December 31, 1969 in an aggregate principal amount not exceeding $39,370,400, which constitutes the initial series of debentures to be issued under the Indenture. (*Articles Three and Four.*) Bangor Punta has no present plans for the issuance of any additional series of debentures.

The Debentures will be issued in fully registered form only, in denominations of $100, $500, $1,000 and authorized multiples of $1,000, will bear interest from July 1, 1969 at the rate of 8¼% per annum, and will mature on July 1, 1994. Interest will be payable semi-annually on January 1 and July 1 of each year to the persons in whose names the Debentures are registered at the close of business on the 15th day of the month preceding such dates. Principal and interest will be payable at the principal office of the Trustee, in New York, N. Y. The Debentures may be transferred or exchanged without the payment of any service charge, other than any stamp tax or other governmental charge payable in connection therewith. (*Article Two and Section 3.01*)

Trustee

Bangor Punta maintains a banking relationship in the ordinary course of business with the Trustee, and the Trustee is one of a group of banks which have entered into a Loan and Guaranty Agreement with Bangor Punta pursuant to which Bangor Punta has issued its term notes and revolving credit notes. See Note 4 of Notes to Consolidated Financial Statements of Bangor Punta.

Optional Redemption

The Debentures will be redeemable, at Bangor Punta's option, on not less than thirty days notice mailed to the registered holders thereof, as a whole or in part, at any time after June 30, 1973 at the redemption price in effect (expressed in percentages of the principal amount) together in each case with accrued interest to the redemption date during the 12-month period beginning on July 1 of each of the following years:

Year	Redemption Price	Year	Redemption Price
1973	108.25%	1984	103.19%
1974	107.79	1985	102.73
1975	107.33	1986	102.27
1976	106.87	1987	101.81
1977	106.41	1988	101.35
1978	105.95	1989	100.89
1979	105.49	1990	100.43
1980	105.03	1991	100.00
1981	104.57	1992	100.00
1982	104.11	1993	100.00
1983	103.65		

(*Section 3.03 and Article Five*)

Sinking Fund Redemption

The Indenture provides that Bangor Punta will redeem for the Sinking Fund, on not less than thirty days notice mailed to the registered holders thereof, at the principal amount thereof together with accrued interest to the date fixed for redemption, the following percentages of the Debentures issued and outstanding on March 31, 1980: (a) four percent on July 1, 1980 and on each July 1 thereafter to and including July 1, 1984, (b) seven percent on July 1, 1985 and on each July 1 thereafter to and including July 1, 1989, and (c) nine percent on July 1, 1990 and on each July 1 thereafter to and including July 1, 1993. At its option, Bangor Punta may credit against any required Sinking Fund payment the principal amount of Debentures acquired or redeemed by it (other than with required Sinking Fund payments) and not previously credited. (*Section 3.04 and Article Five*)

Conversion of Debentures

The holder of any Debenture will have the right, at his option, at any time prior to maturity (unless called for redemption prior to maturity in which case to and including but not after the close of business on the day fixed for such redemption), to convert the principal of such Debenture into Common Stock of Bangor Punta at the conversion price of $55 or at the adjusted conversion price in effect at the date of conversion determined as provided in the Indenture, upon surrender to Bangor Punta of such Debenture. (*Section 3.05(A)*)

The conversion price is subject to adjustments in certain events, including the issuance of Common Stock as a stock dividend or for a consideration less than the then conversion price; sub-divisions, combinations and reclassifications of Bangor Punta's Common Stock; or the issuance in specified instances of securities convertible into Common Stock or rights or options to subscribe for Common Stock. No adjustment of the conversion price is required to be made as the result of stock dividends on securities of Bangor Punta which do not, during any 12 month period, exceed 3% of the total Bangor Punta Common Stock then outstanding, or as the result of the exercise or conversion of specified convertible securities or stock purchase warrants outstanding on the date of the Indenture, or upon the exercise of certain stock options, or as the result of the issuance of Bangor Punta Common Stock upon conversion of the Debentures, or as a result of the issuance of Bangor Punta Common Stock or convertible securities pursuant to acquisition agreements or in any case in which the cumulative amount of the adjustment would be less than 50¢. (*Section 3.05(D)*)

On conversion, no adjustment for interest or dividends will be made and, therefore, Debentures surrendered for conversion after the fifteenth day of the month preceding a semi-annual interest payment date, and before such interest payment date (unless called for redemption on a redemption date in such period), must be accompanied by payment of an amount equal to the interest thereon which the registered holder on such fifteenth day is to receive on the interest payment date. (*Section 3.05(C)*)

Subordination of Debentures

The payment of the principal of, premium, if any, and interest on the Debentures will be subordinated in right of payment to the extent set forth in the Indenture to the prior payment in full of all Senior Indebtedness (as defined) of Bangor Punta. The Debentures rank on a parity with and are not superior in right of payment to that portion, if any, of Bangor Punta's 5¾% Subordinated Bonds Due 1992 issued under its indenture dated as of November 15, 1967 between Bangor Punta and the Bank of America, National Trust and Savings Association, Trustee, which are not secured by property subject to such Indenture. Upon any payment or distribution of assets of Bangor Punta upon any insolvency, bankruptcy, receivership, liquidation, dissolution, reorganization or other similar proceeding relative to Bangor Punta or its property, the holders of all Senior Indebtedness will first be entitled to receive payment in full of the Senior Indebtedness before the holders of the Debentures will be entitled to receive any distribution on account of the Debentures. No payments on account of principal or interest on the Debentures may be made if at the time there is a default in the payment of principal of, or premium, if any, or interest on any Senior Indebtedness which has continued beyond any applicable period of grace or if there is an event of default with respect to any Senior Indebtedness entitling the holders to accelerate the maturity thereof the holders of Senior Indebtedness shall be entitled to receive payment in full of principal and interest before any payments are made with respect to the Debentures. By reason of such subordination, in the event of insolvency, creditors of Bangor Punta who are not holders of Senior Indebtedness may recover less, ratably, than holders of Senior Indebtedness, and may recover more, ratably, than the holders of the Debentures. (*Article Six.*)

The term "Senior Indebtedness" is defined to mean the principal of, and premium, if any, and interest on, the following whether outstanding at the initial date of execution of the Indenture or thereafter incurred, created or assumed: (a) indebtedness for money borrowed by Bangor Punta (other than the Debentures and that portion of the 5¾% Subordinated Bonds Due 1992 not secured by property subject to the Indenture under which they were issued), (b) indebtedness for money borrowed by any Subsidiary and guaranteed, directly or indirectly by Bangor Punta (c) indebtedness constituting purchase money indebtedness (as defined) for the payment of which Bangor Punta is directly or contingently liable, or (d) indebtedness of Bangor Punta under any deferrals, renewals or extensions of any of the foregoing indebtedness, or under any debentures, notes or other evidences of indebtedness issued in exchange for such foregoing indebtedness; unless, in each case, by the terms of the instrument by which Bangor Punta incurred, assumed or guaranteed such indebtedness, it is expressly provided that such indebtedness is not superior in right of payment to the Debentures. (*Section 1.02.*)

Restrictions on Dividends

The Indenture provides that Bangor Punta will not declare dividends (except dividends payable solely in shares of stock of Bangor Punta) on shares of any class of its capital stock, or purchase, redeem or otherwise acquire shares of any class of its capital stock, if, after giving effect to the proposed declaration or acquisition, the aggregate amount of all such dividends, purchases, redemptions and other acquisitions paid or made after September 30, 1968 would exceed the sum of the aggregate amount of the net proceeds to Bangor Punta from sales subsequent to such date of shares of any class of its capital stock, plus $1,000,000, plus (or minus in the case of a deficit) the Consolidated Net Income of Bangor Punta (as defined), for the period from September 30, 1968 to the date of such proposed declaration or acquisition. (*Section 7.07*)

Default, Notice and Waiver

The Indenture provides that, if a default as defined therein shall have happened and be continuing, either the Trustee or the holders of 25% in principal amount of the Debentures then outstanding may declare the principal of all such Debentures to be due and payable. *(Section 8.02)*

Defaults are defined in the Indenture as being: default for sixty days in payment of any interest installment or making any Sinking Fund payment when due, and default in payment of principal and premium when due, whether or not such payments are prohibited by the subordination provisions of the Indenture; default for ninety days after notice to Bangor Punta by the Trustee or by the holders of 25% in principal amount of the outstanding Debentures in performance of any covenant in the Indenture; default resulting in acceleration of Senior Indebtedness of Bangor Punta (provided that the resulting default under the Indenture will be cured or waived if such other default is cured or waived); and certain events of bankruptcy, insolvency and reorganization. (*Section 8.01*)

The Indenture provides that the Trustee will, within ninety days after the occurrence of a default, give to the Debenture holders notice of all uncured defaults known to it; provided that, except in the case of default in the payment of principal or interest on any of the Debentures or the making of any Sinking Fund payment, the Trustee will be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of the Debenture holders. The term "default" for the purpose of this provision only means the happening of any of the defaults specified above except that any grace period is eliminated. *(Section 11.03)*

The Indenture contains a provision entitling the Trustee, subject to the duty of the Trustee during default to act with the required standard of care, to be indemnified by the holders of the Debentures before proceeding to exercise any right or power under the Indenture at the request of Debenture holders. (*Section 11.01*) The Indenture provides that the holders of a majority in principal amount of the outstanding Debentures may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee. *(Section 8.07)*

The Indenture includes a covenant that Bangor Punta will file annually with the Trustee a certificate of no default, or specifying any default that exists. *(Section 7.09)*

In certain cases, the holders of a majority in principal amount of the outstanding Debentures may on behalf of the holders of all Debentures waive any past defaults or default except a default in payment of the principal of the Debentures at maturity or default not theretofore cured in payment of interest or redemption price, on any of the Debentures. *(Section 8.07)*

Modification of the Indenture

The Indenture contains provisions permitting Bangor Punta and the Trustee, with the consent of the holders of 66⅔% in principal amount of the outstanding Debentures, to execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the Indenture or modifying the rights of the holders of Debentures, except that no such supplemental indenture may (i) extend the fixed maturity of any Debentures, or reduce the principal amount thereof or any premium thereon, or reduce the rate or extend the time of payment of interest thereon, or modify the provisions of the Indenture with respect to the subordination of the Debentures, without the consent of the holders of affected Debentures, or (ii) reduce the aforesaid percentage of Debentures the consent of the holders of which is required for any such supplemental indenture. *(Section 15.02)*

INFORMATION CONCERNING PIPER

The information in this Prospectus concerning Piper has been supplied to Bangor Punta by Piper.

Piper was incorporated in 1937 under the laws of Pennsylvania and acquired the assets of Taylor Aircraft Company, organized in 1931 by W. T. Piper, Sr. and C. G. Taylor. Its executive offices and main plant are located at Lock Haven, Pennsylvania. From its inception, Piper has been primarily concerned with that field of aviation known as general aviation, which includes all non-military flying other than commercial airlines and common carriers of air freight. Piper is one of the three leading producers of general aviation aircraft.

Product Line

Current airplane models produced by Piper range from a low-cost, two-place trainer selling for a price of $9,600 to a high performance, twin-engine model suited for transport or executive use selling for $97,500.

All prices quoted herein are suggested retail prices for completed airplane containing standard instrumentation and accessories. In addition, buyers generally purchase optional equipment such as electronic and navigational equipment, de-icing equipment and turbo-chargers, the price of which equipment may add as much as 30% or more to the suggested price of the standard airplane.

Present Piper models are as follows:

Model PA-18 *Super Cub*—a two-place, single-engine, high wing airplane of tubing and fabric construction with a fixed landing gear. The Super Cub is powered by a 150 horsepower engine. Its STOL characteristics give this airplane very good short field performance, and consequently it is frequently used for special purposes such as military liaison, Alpine rescue, pipeline patrol and seaplanes. The Super Cub's suggested price is $10,550.

Model PA-25 *Pawnee*—a single-place, single-engine, low wing airplane of tubing and fabric construction with a fixed landing gear. The Pawnee, now in its tenth year of production and available with either a 235 or a 260 horsepower engine, is specifically designed for agricultural dusting and spraying. Because these uses are recognized to be a hazardous type of flying, the airplane incorporates many advanced safety features. Its suggested prices are $17,800 and $18,300.

Model PA-28 *Cherokee*—a two- or four-place, single-engine, low wing airplane of all metal construction with a fixed landing gear. The Cherokee has been in production since 1961 and is available with an engine of 140, 180 or 235 horsepower. This airplane is utilized for both business and private flying. The two-place version is widely used for student pilot training. Suggested prices range from $9,600 to $17,990.

Model PA-28 *Cherokee Arrow*—a four-place, single-engine, low wing airplane of all metal construction with retractable landing gear. The Cherokee Arrow, available with a choice of 180 or 200 horsepower engine, incorporates unique safeguards in its retractable landing gear to assure proper operation by non-professional pilots. This airplane is utilized both for business and private flying. Suggested prices are $17,500 and $18,500.

Model PA-32 *Cherokee Six*—a six- or seven-place, single-engine, low wing airplane of all metal construction with fixed landing gear. The Cherokee Six is powered by a 260 or 300 horsepower engine. Special doors and removable seating make this airplane adaptable for cargo-utility purposes as well as for business and private flying. Its suggested prices are $21,900 and $24,900.

Model PA-24 *Comanche*—a four- to six-place, single-engine, low wing airplane of all metal construction with retractable landing gear powered by a 260 horsepower engine. This high performance airplane was first introduced into the Piper line in 1958 and is used for business and private flying. Its suggested price is $27,500.

Model PA-30 *Twin Comanche*—a four- to six-place, twin-engine, low wing airplane of all metal construction with retractable landing gear powered by 160 horsepower engines. The first sales of this high performance airplane, which is the lowest cost twin-engine airplane available, were made in 1963. The turbocharged model cruises at 240 mph at an altitude of 24,000 feet. The Twin Comanche's suggested price is $39,900.

Model PA-23 *Aztec*—a six-place, twin-engine, low wing airplane of all metal construction with retractable landing gear. Initial sales of the Aztec, a design developed from an earlier model called the Apache, were made in 1960. The Aztec is powered by 250 horsepower engines, which give it a cruising speed of more than 200 miles per hour. With turbocharged engines the cruising speed can be increased to 236 mph at 24,000 feet. The Aztec's suggested price is $59,990.

Model PA-31 *Navajo*—a six- to nine-place, twin-engine, low wing airplane of all metal construction with retractable landing gear. The Navajo, the latest addition to Piper's line of twin-engine airplanes, was introduced in 1967. A choice of cabin layouts makes this airplane adaptable for private, executive or commuter airlines use. The Navajo is powered by two 300 horsepower engines. The cruising speed of this airplane with turbocharged engines is 247 mph at 23,500 feet, placing the Navajo among the fastest in this category of airplane. Its suggested price is $97,500.

Piper's unit sales of the various types of airplane for each of its last five fiscal years for the six months ended March 31, 1969 and for the six months ended March 31, 1968 were as follows:

	Six months ended March 31,		Fiscal year ended September 30,				
	1969	1968	1968	1967	1966	1965	1964
Super Cub	44	64	138	138	141	139	141
Colt	—	—	—	—	—	1	138
Pawnee	168	188	363	337	442	631	473
Cherokee	978	986	2,115	2,455	1,996	1,873	1,218
Cherokee Arrow	235	453	844	65	—	—	—
Cherokee Six	165	146	269	517	655	93	—
Comanche	10	42	93	138	260	365	245
Twin Comanche	129	107	166	303	375	316	460
Aztec/Apache	186	153	277	280	415	400	258
Navajo	113	110	209	69	—	—	—
Total	2,028	2,249	4,474	4,302	4,284	3,818	2,933

During recent years Piper has emphasized the development and sale of larger and faster twin-engine airplanes for business use. Piper derived from this market 54% of its total airplane sales revenues in the first six months of 1969 as compared to 43.9%, 41.6% and 43.2% in fiscal 1968, 1967 and 1966 respectively. Piper's sales of single-engine airplanes have been lower in recent months than the levels of a year ago. Such lower single-engine sales have been general throughout the industry, however, and Piper's share of the single-engine market has remained steady.

Sales of spare parts have averaged between 6% and 8% of total sales in the last 5 fiscal years.

Piper designs and builds the airframe and assembles the completed airplane. Certain major components, such as engines, propellers, wheels, tires, instruments and electronic equipment, are purchased from others. Raw materials and purchased components are generally available from more than one supplier. Piper purchases certain items, the most significant of which are airplane engines, from a single source of supply. Piper has no long-term contracts for engines or other parts. At this time, Piper anticipates no significant difficulties in obtaining items for which it relies upon a limited source of supply.

Sales and Distribution

Piper's basic marketing policy is to operate through distributors, which in turn franchise dealers for the retail sale of Piper products. In the United States and Canada, Piper's domestic sales organization markets aircraft, parts and accessories through 37 distributors and approximately 450 dealers. The distributors serve every area of the United States, and there is at least one dealer in every state.

Piper has world-wide international sales distribution through over 160 outlets located in 90 countries. Piper Aircraft International S. A., a wholly-owned subsidiary headquartered in Geneva, Switzerland is active in the development of European and North African markets. Export sales accounted for approximately 25% of Piper's sales in fiscal 1968 and in the first six months of fiscal 1969. In connection with its export sales Piper provides financing support under certain limited circumstances. As of March 31, 1969 Piper and its subsidiary were owed $2,170,000 under such financings.

Piper maintains an active and comprehensive program in support of its distributors and dealers. This program provides information relating to the production, performance, demonstration and display of Piper products; factory demonstrations of airplanes when necessary; preparation of specialized market research studies and forecasts; analysis of the aircraft requirements of business organizations and commuter airlines; assistance in selecting and selling avionic products; and advertising and public relations support for Piper products. In 1969 Piper inaugurated a new program for the establishment of Piper Flite Centers, which are designed to encourage pilot training using Piper Cherokee aircraft. Piper supplies Piper Flite Centers with specially developed training aids, manuals and display materials and affords them other assistance.

Piper's Customer Service department supplies spare parts and accessories through domestic and foreign sales outlets. This department also assists distributors and dealers with service problems, handles customer warranties and operates schools for aircraft service personnel.

Research and Development

The nature of its business requires Piper to work continuously upon, and incur substantial expenditures for, research and the development of new and improved models.

Piper maintains a product design department at both its Lock Haven and Vero Beach plants to develop new models for production. The engineering organization has the benefit of many years' experience in the design of airplanes of the types produced by Piper and has built a variety of experimental airplanes. The engineering organization is currently nearing completion of the development program for a pressurized version of the Navajo. A turbine-powered Navajo is also being tested in a project designed to evaluate the potential of turbine engines on this model. The Pocono, an 18-place commuter airliner, is a major project currently in the development program.

Piper has followed the practice of charging research and development costs to operating expenses as incurred. The cost of designing and preparing a new model for production is high, and the increasing emphasis on larger and more complex models involves greater expenditures in developing new models than were required in similar programs in earlier years. Engineering Department overhead included in manufacturing expenses approximated $4,000,000 in 1968 and $3,000,000 in 1967.

Piper is a member of the Manufacturers Aircraft Association, Inc. and is a party to a cross-licensing agreement with other members of the Association whereby each party to the agreement has the right to use, in connection with the manufacture of airplanes, certain inventions owned or controlled by other members on payment of fees as provided in the agreement.

Competition

Piper is one of the three largest manufacturers of general aviation airplanes, and is the only one of the three whose sales of airplanes are almost entirely for civilian purposes.

The following table shows Piper's sales volume, as compared with the total of such sales by manufacturers in the private plane industry, for each of the past five fiscal years and for the six months ended March 31, 1969:

Fiscal Year	Units			Dollars		
	Piper	Industry*	%	Piper	Industry*	%
1964	2,933	8,664	34	$54,378,000	$200,000,000	27.2
1965	3,818	10,952	35	69,086,000	235,000,000	29.4
1966	4,284	14,667	29	81,313,000	305,000,000	26.7
1967	4,302	13,000	33	80,439,000	270,000,000	29.8
1968	4,474	14,000	32	96,724,000	340,000,000	28.4
Six Months of 1969	2,028	5,920	34	51,376,000	173,000,000	29.7

* Estimated industry sales as published by Aerospace Industries Association, including only airplanes with a standard price under $200,000.

Piper is subject to active competition in all areas of its commercial business. Piper believes that its market position has been acquired and maintained by its reputation for the quality of its design, products and service, and by its marketing programs through its world-wide distributor and dealer organizations.

Employees

Piper has approximately 4,880 employees: 2,370 at Lock Haven, 450 at Quehanna and 100 at Renovo, Pennsylvania, 1,930 at Vero Beach, Florida and 30 at Piper Aircraft International, Geneva, Switzerland. Approximately one-fourth of the employees have been associated with Piper for more than ten years.

Relations between Piper and the International Association of Machinists and Aerospace Workers ("IAM"), which represents production workers at the Lock Haven plant, have been generally harmonious. In the past ten years there have been two work stoppages at that plant, one in 1959 for eleven days and one in 1965 for seven weeks. The present contract with the IAM expires October 31, 1971. Employees at Quehanna, Renovo and Vero Beach plants are not represented by a union, and Piper's relations with its employees at those plants and with its office staff have been good.

Piper provides group insurance and pension plans for all employees. These plans are non-contributory with the exception of the salaried pension plan. Salaried employees are covered by a bonus plan that is based on corporate income.

Reference is made to Note 4 of Piper's financial statements for further information concerning Piper's bonus and pension plans.

Government Regulation

Under the Federal Aviation Act the Administrator of the Federal Aviation Agency is authorized, in the interest of safety, to fix minimum standards applicable to the design, construction and performance of airplanes, and engines, propellers and accessories used with airplanes, and to require and issue type certificates with respect thereto. In that connection the Administrator may require and make such tests as reasonably necessary and, if satisfied, may issue production certificates covering production of duplicates of an approved model.

Property

Piper's executive offices and main plant are located at Lock Haven, Pennsylvania. Other manufacturing plants are located at Vero Beach, Florida; Quehanna, Pennsylvania; and Renovo, Pennsylvania.

The Lock Haven facilities, owned by Piper, consist of approximately 60 acres of land and buildings aggregating approximately 754,000 square feet. The Lock Haven Municipal Airport adjoins these properties and is operated by Piper under a ten-year lease, dated July 1, 1963, from the City of Lock Haven, renewable at the option of Piper for an additional period of ten years.

Two other Pennsylvania plants operate as fabricating satellites for the Lock Haven facility. The Renovo plant of 38,000 square feet, used principally for fabricating plastic parts, is located on a 601-acre site owned by Piper. The Quehanna plant consists of 258,000 square feet of floor space used for fabricating metal parts and is located on a 36-acre site. This plant is leased from the Commonwealth of Pennsylvania for 25 years commencing in 1968, with an option to renew for another 25 years.

The Vero Beach plant is located at the Vero Beach Municipal Airport on land of which Piper owns 13 acres and leases 22 acres under a 99 year lease. Piper has an option expiring in 1974 to purchase 77 acres, including the 22 under lease. The buildings aggregate 548,000 square feet and are currently devoted to production of the complete Cherokee line.

Early in fiscal 1969, Piper announced the further expansion of its Florida facilities by the purchase of 100 acres at Lakeland, with an option expiring in 1972 for the purpose of an additional 100 acres. Piper is presently constructing 174,000 square feet of manufacturing and administrative space on this site to provide increased production capacity.

Management and Control

The directors and executive officers of Piper are as follows:

W. T. Piper, Jr.*	Chairman of the Board of Directors and President
Howard Piper*	Executive Vice President and Director
Thomas F. Piper*	Vice President and Director
Walter C. Jamouneau*	Secretary and Director
Charles W. Pool*	Treasurer and Director
C. Leonard Gordon	Director
James J. Rochlis	Director

* Member of the Executive Committee.

Each executive officer has been actively engaged for more than 5 years in the business and affairs of Piper.

As of May 26, 1969 all directors and officers as a group owned directly or indirectly 185,622 shares of Piper's common stock, or approximately 11.3% of the total outstanding. Members of the Piper family, including W. T. Piper, Jr., Howard Piper and Thomas F. Piper, are parties to the Agreement to exchange 501,090 shares of Piper common stock for securities of Bangor Punta and/or cash (see "Background of the Exchange Offers"). Bangor Punta has disclosed that it has acquired in private purchases from third parties an additional 120,200 shares of Piper common stock (see "Background of the Exchange Offers"). The total of such shares, 621,290, constitutes approximately 38% of the outstanding common stock of Piper (see "Background of the Exchange Offers"). Chris-Craft Industries, Inc., of which both Mr. Gordon and Mr. Rochlis are officers and directors, has announced that it is the holder of 556,206 shares of Piper common stock, or approximately 34% of the outstanding common stock of Piper.

Litigation and Insurance

On January 30, 1969 Chris-Craft Industries, Inc. brought an action in the United States District Court for the Eastern District of New York alleging that Grumman Aircraft Engineering Corporation's proposed purchase of 300,000 shares of Piper common stock violated the Clayton Act. The court denied Chris-Craft's request for a temporary restraining order, and the matters in litigation were rendered moot by the decision of Grumman and Piper not to proceed with the transaction.

On January 31, 1969 Chris-Craft brought an action in the Court of Common Pleas, Clinton County, Pennsylvania, against Piper to obtain the right to vote at Piper's Annual Meeting of Shareholders shares it had acquired after the January 3rd record date for the meeting and for which Chris-Craft did not hold proxies from the holders of record. Chris-Craft also sought to prevent management of Piper from voting proxies received from holders of record of shares purchased by Chris-Craft. The court denied Chris-Craft's motion for temporary relief on February 3, 1969. If Chris-Craft were to obtain retroactively the relief it seeks in this action, it would be able to elect one additional director to Piper's Board of Directors.

On February 28, 1969 Piper brought an action in the United States District Court for the Middle District of Pennsylvania to invalidate certain proxies voted by Chris-Craft at Piper's Annual Meeting of Shareholders alleging that Chris-Craft had violated federal securities acts, Pennsylvania securities acts and common law. Chris-Craft counterclaimed, alleging violations of federal securities acts, to invalidate certain proxies voted by Piper management at that meeting.

On March 31, 1969 Chris-Craft brought an action in the Supreme Court, New York County, against Piper complaining of Piper's acquisition of United States Concrete Pipe Company of Florida and of SouthPly, Inc. The transactions were rescinded, but a temporary restraining order granted to Chris-Craft *ex parte* on March 31, 1969 against the issuance of Piper's shares for the two acquisitions remains in effect, pending Chris-Craft's motion for a temporary injunction. Piper has filed a cross motion to dismiss the action for lack of jurisdiction.

C. Leonard Gordon and James J. Rochlis, both of whom are Chris-Craft employees that Chris-Craft placed on Piper's Board of Directors at the 1969 Annual Meeting through cumulative voting, brought an action on April 9, 1969 in the United States District Court for the Middle District of Pennsylvania seeking access to the list of Piper shareholders. The court granted a preliminary injunction on May 13, 1969 permitting the two directors representing Chris-Craft to inspect and copy the list of shareholders in their capacity as directors. In a companion action, also in the Federal District Court for the Middle District of Pennsylvania, Chris-Craft seeks access to the shareholder list in its capacity as a shareholder.

On July 1, 1969 Piper and certain shareholders of Piper brought an action in the Court of Common Pleas of Clinton County, Pennsylvania against C. Leonard Gordon and James J. Rochlis seeking their removal from the Board of Directors of Piper on the grounds of conflict of interest between their fiduciary duty as directors of Piper and their conduct on behalf of Chris-Craft and also seeking damages sustained by Piper as a result thereof. Defendants have removed the action to the United States District Court for the Middle District of Pennsylvania.

On February 3, 1969 an action was commenced in the United States District Court for the Southern District of New York by Lillian Stull against Chris-Craft, Grumman, Piper and its directors. The action purports to be brought on plaintiff's behalf as a shareholder of Piper and derivatively on behalf of Piper. It alleges that Piper's directors acted wrongly in opposing Chris-Craft's original cash tender offer and in proposing to sell Piper shares to Grumman. Certain injunctive relief and money damages were sought. An amended complaint in this action was recently filed alleging corporate waste in Piper's acquisitions, later rescinded, of the United States Concrete Pipe Company of Florida and of SouthPly, Inc.

On February 8, 1968, Stewart Aviation Company, a former distributor of Piper, brought an action in the United States District Court for the Northern District of West Virginia claiming treble damages of $2,010,000 based on Piper's alleged violation of federal antitrust laws. Piper has denied that the complaint states a claim upon which relief can be granted.

Piper maintains insurance to provide protection against claims that inevitably arise from aircraft accidents regardless of their cause. Piper is normally and is now a defendant in a number of law suits, principally involving product liability claims. Some of these claims, if successful, would be subject to deductible provisions of insurance contracts or would be uninsured, but in the opinion of management would have no material effect on the financial condition of Piper.

See also "The Background of the Exchange Offers—Certain Other Aspects of the Exchange Offers".

LEGAL OPINIONS

The legality of the securities offered hereby will be passed on for Bangor Punta by John E. Flick, Esq., General Counsel, Senior Vice President and Secretary of Bangor Punta and for the Dealer Manager by Sullivan & Cromwell, New York, N. Y.

EXPERTS

To the extent and for the periods set forth in their respective reports included in this Prospectus and the Registration Statement, Peat, Marwick, Mitchell & Co. and Arthur Young & Company have examined the financial statements, Consolidated Statement of Earnings and Statement of Consolidated Income included in this Prospectus and schedules incorporated by reference in the Registration Statement. Such respective financial statements, Consolidated Statement of Earnings, Statement of Consolidated Income and schedules have been incorporated by reference or utilized in reliance upon the related reports of such firms given upon their authority as experts in accounting and auditing.

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ACCOUNTANTS' REPORT

The Board of Directors
BANGOR PUNTA CORPORATION:

We have examined the balance sheets of Bangor Punta Corporation and Bangor Punta Corporation and consolidated subsidiaries as of September 30, 1968, the related statements of capital surplus and retained earnings for the three years then ended, the statement of income of Bangor Punta Corporation (parent company only) for the three years then ended, and the statement of earnings of Bangor Punta Corporation and consolidated subsidiaries for the four years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have also made a similar examination of the consolidated financial statements of Bangor and Aroostook Railroad Company and subsidiaries for the three years ended September 30, 1968.

In our opinion, such financial statements present fairly the financial position at September 30, 1968 and the results of operations for the periods indicated of Bangor Punta Corporation, Bangor Punta Corporation and consolidated subsidiaries and of Bangor and Aroostook Railroad Company and subsidiaries, in conformity with generally accepted accounting principles which, except for the change in depreciation of the C-G-F Topeka Grain Elevator facilities (sold as of June 30, 1966) as described in Note 3 to financial statements of Bangor Punta Corporation and subsidiaries, were applied on a consistent basis.

PEAT, MARWICK, MITCHELL & Co.

New York, N. Y.
December 10, 1968

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BANGOR PUNTA CORPORATION
(Parent Company)

BALANCE SHEETS

ASSETS

	September 30, 1968 (Audited)	March 31, 1969 (Unaudited)
CURRENT ASSETS:		
Cash	$ 797,564	$ 124,662
Accounts receivable	10,984	9,712
Due from consolidated subsidiary—Bangor Punta Operations, Inc.	7,059,201	9,005,867
Other current assets	54,899	53,994
Total current assets	7,922,648	9,194,235
INVESTMENTS AND OTHER ASSETS:		
Consolidated subsidiary—Bangor Punta Operations, Inc.:		
Investment, at equity in underlying net assets	103,323,239	112,758,709
Notes and advances	45,867,983	35,632,983
Consolidated subsidiary—Producers Cotton Oil Company:		
Investment, at cost plus equity in earnings since acquisition	28,705,246	29,556,129
Consolidated subsidiary—Featherweight Corporation:		
Investment, at equity in underlying net assets	—	3,114,324
Noncurrent receivables and other assets (net)	130,067	267,341
	178,026,535	181,329,486
PROPERTY, PLANT AND EQUIPMENT, AT COST LESS ACCUMULATED DEPRECIATION OF $14,518 AT SEPTEMBER 30, 1968 AND $24,316 AT MARCH 31, 1969 (Note 3)	128,884	225,860
DEFERRED CHARGES	58,881	64,597
	$186,136,948	$190,814,178

See Notes to Consolidated Financial Statements.

BANGOR PUNTA CORPORATION
(Parent Company)

BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 31, 1968 (Audited)	March 31, 1969 (Unaudited)
CURRENT LIABILITIES:		
Accounts payable	$ 142,518	$ 155,193
Accrued liabilities:		
Payroll and other taxes	40,256	28,723
Interest	452,669	391,020
Other	45,127	26,475
	538,052	446,218
Current portion of long-term debt (Note 4)	744,840	744,840
Other debt maturing within one year	1,248,750	—
Other current liabilities	4,648	42,014
Total current liabilities	2,678,808	1,388,265
LONG-TERM OBLIGATIONS:		
Long-term debt, excluding current portion (Note 4)	50,703,560	50,103,560
5¾% subordinated bonds due 1992 (Note 5)	19,242,000	19,241,000
	69,945,560	69,344,560
STOCKHOLDERS' EQUITY:		
Capital stock:		
Preferred stock, no par value. Authorized, 100,000 shares; issued, none.		
Preference stock, $1 par value. Authorized, 10,000,000 shares (Note 8).		
$1.25 convertible preference stock; issued 509,089 shares at September 30, 1968 and 223,543 shares at March 31, 1969	509,089	223,543
(Preference in involuntary liquidation $25 per share or $12,727,225 and $5,588,575 for the issued shares at September 30, 1968 and March 31, 1969, respectively)		
$1.25 convertible preference stock—Series B; issued 80,000 shares	80,000	—
(Preference in involuntary liquidation $43.75 per share or $3,500,000 for the issued shares)		
$2.00 convertible preference stock—Series C; issued 574,214 at September 30, 1968 and 535,950 shares at March 31, 1969	574,214	535,950
(Preference in involuntary liquidation $50.00 per share or $28,710,700 and $26,797,500 for the issued shares at September 30, 1968 and March 31, 1969 respectively)		
Common stock, $1 par value. Authorized 20,000,000 shares; issued 2,715,470 shares at September 30, 1968 and 3,226,044 shares at March 31, 1969	2,715,470	3,226,044
Assigned value of 16,650 maximum shares of $1.25 convertible preference stock issuable for acquired company	416,250	—
Capital surplus	74,051,567	82,883,076
Retained earnings (Note 4)	37,922,657	35,749,910
	116,269,247	122,618,523
Less treasury stock—14,101 shares of $1.25 convertible preference stock and 87,962 shares of common stock at September 30, 1968 and 14,101 shares of $1.25 convertible preference stock, 1,500 shares of $2.00 convertible preference stock and 77,285 shares of common stock at March 31, 1969 (Note 9)	2,756,667	2,537,170
Total stockholders' equity	113,512,580	120,081,353
Commitments and Contingent Liabilities (Note 11)		
	$186,136,948	$190,814,178

See Notes to Consolidated Financial Statements.

BANGOR PUNTA CORPORATION AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS

ASSETS

	September 30, 1968 (Audited)	March 31, 1969 (Unaudited)
CURRENT ASSETS:		
Cash	$ 16,465,805	$ 10,145,965
Eurodollar short-term time deposits	14,650,000	14,600,000
Marketable securities, at cost (market $29,105,000 at September 30, 1968 and $12,134,393 at March 31, 1969)	23,373,455	8,990,117
Notes receivable	1,257,208	1,154,306
Accounts receivable:		
Trade, less allowances for discounts and possible losses of $741,286 at September 30, 1968 and $794,580 at March 31, 1969	39,572,993	39,328,320
Other	2,282,543	1,841,841
Inventories, at lower of cost or market (Note 2)	68,382,573	83,281,369
Other current assets	1,541,307	1,987,974
Total current assets	167,525,884	161,329,892
INVESTMENTS AND OTHER ASSETS:		
Investments in unconsolidated subsidiaries (Note 1):		
Bangor and Aroostook Railroad Company	18,830,746	18,364,500
Prodco Finance Co.—investment and subordinated loans	4,964,754	14,456,821
Other investments and advances	1,584,944	3,098,924
Noncurrent receivables and other assets (net)	6,040,308	5,391,566
	31,420,752	41,311,811
PROPERTY, PLANT AND EQUIPMENT, AT COST LESS ACCUMULATED DEPRECIATION OF $46,902,295 at September 30, 1968 and $49,688,452 at March 31, 1969 (Note 3)	63,734,108	66,432,708
EXCESS OF COST OVER NET ASSETS OF COMPANIES ACQUIRED (Note 3)	38,038,625	43,565,843
DEFERRED CHARGES—PATENTS, DEBT DISCOUNTS AND EXPENSES, ETC.	1,254,459	1,229,764
	$301,973,828	$313,870,018

See Notes to Consolidated Financial Statements

BANGOR PUNTA CORPORATION AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 1968 (Audited)	March 31, 1969 (Unaudited)
CURRENT LIABILITIES:		
Accounts payable	$ 24,693,510	$ 18,995,597
Federal taxes on income	6,868,613	8,869,346
Accrued liabilities:		
Salaries, wages and other compensation	3,973,137	4,233,964
Payroll and other taxes	1,568,928	2,126,311
Interest	1,073,039	1,178,906
Other	2,032,911	5,012,746
	8,648,015	12,551,927
Current portion of long-term debt (Note 4)	3,854,865	3,660,627
Other debt maturing within one year	2,933,609	9,260,444
Other current liabilities	370,266	1,207,549
Total current liabilities	47,368,878	54,545,490
LONG-TERM OBLIGATIONS:		
Long-term debt, excluding current portion (Note 4)	115,664,200	113,187,886
Due to Bangor and Aroostook Railroad Company	301,132	—
5¾% subordinated bonds due 1992 (Note 5)	19,242,000	19,241,000
	135,207,332	132,428,886
OTHER LIABILITIES AND DEFERRED CREDITS:		
Deferred Federal income taxes	3,762,823	4,249,046
Miscellaneous	1,364,971	1,771,493
	5,127,794	6,020,539
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES:		
Capital stock	292,349	466,470
Capital surplus	169,878	125,743
Retained earnings	295,032	201,552
	757,259	793,765
STOCKHOLDERS' EQUITY:		
Capital stock:		
Preferred stock, no par value. Authorized, 100,000 shares; issued, none.		
Preference stock, $1 par value. Authorized, 10,000,000 shares (Notes 8 and 12).		
$1.25 convertible preference stock; issued 509,089 shares at September 30, 1968 and 223,543 shares at March 31, 1969	509,089	223,543
(Preference in involuntary liquidation $25 per share or $12,727,225 and $5,588,595 for the issued shares at September 30, 1968 and March 31, 1969, respectively)		
$1.25 convertible preference stock—Series B; issued 80,000 shares	80,000	—
(Preference in involuntary liquidation $43.75 per share or $3,500,000 for the issued shares)		
$2.00 convertible preference stock—Series C; issued 574,214 shares at September 30, 1968 and 535,950 shares at March 31, 1969	574,214	535,950
(Preference in involuntary liquidation $50 per share or $28,710,700 and $26,797,500 for the issued shares at September 30, 1968 and March 31, 1969, respectively)		
Common stock, $1 par value. Authorized 20,000,000 shares (Note 12); issued 2,715,470 shares at September 30, 1968 and 3,226,044 shares at March 31, 1969	2,715,470	3,226,044
Assigned value of 16.650 maximum shares of $1.25 convertible preference stock issuable for acquired company	416,250	—
Capital surplus	74,051,552	82,883,061
Retained earnings (Note 4)	37,922,657	35,749,910
	116,269,232	122,618,508
Less treasury stock—14,101 shares of $1.25 convertible preference stock and 87,962 shares of common stock at September 30, 1968 and 14,101 shares of $1.25 convertible preference stock, 1,500 shares of $2.00 convertible preference stock and 77,285 shares of common stock at March 31, 1969 (Note 9)	2,756,667	2,537,170
Total stockholders' equity	113,512,565	120,081,338
Commitments and Contingent Liabilities (Note 11)		
	$301,973,828	$313,870,018

See Notes to Consolidated Financial Statements

BANGOR PUNTA CORPORATION (Parent Company)

STATEMENT OF INCOME

	Year Ended September 30			Six Months Ended March 31, 1969 (Unaudited)
	1966	1967	1968	
INCOME:				
Interest from consolidated subsidiary	$ 603,815	$1,488,233	$ 2,239,072	$1,447,079
Equity in net income of consolidated subsidiaries	6,002,673	6,680,466	10,685,585	7,123,385
Dividends and other income	—	—	307,295	—
	6,606,488	8,168,699	13,231,952	8,570,464
EXPENSES:				
General and administrative	582,966	937,892	1,757,907	1,327,762
Interest and debt expense	454,803	1,659,320	3,230,509	2,210,966
	1,037,769	2,597,212	4,988,416	3,538,728
Net income	$5,568,719	$5,571,487	$ 8,243,536	$5,031,736

See Notes to Consolidated Financial Statements

BANGOR PUNTA CORPORATION (Parent Company)*

BANGOR PUNTA CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CAPITAL SURPLUS

	Year ended September 30			Six months ended March 31, 1969 (Unaudited)
	1966	1967	1968	
BALANCE AT BEGINNING OF PERIOD	$ 6,816,419	$10,149,027	$14,962,724	$74,051,552
ADD (DEDUCT):				
Excess of fair value over par value of $1.25 convertible preference stock (37,127 shares in 1966; 28,767 shares in 1967; 14,429 shares in 1968 and 9,021 shares in 1969), $2.00 convertible preference stock—Series C (573,854 shares in 1968) and common stock (303,551 shares in 1968 and 128,473 shares in 1969) issued for companies acquired	1,138,623	803,733	39,362,725	5,902,794
Excess of proceeds over cost of 6,600 shares of treasury common stock issued upon exercise of stock options	—	—	125,400	—
Excess of fair value over cost of 6,760 shares in 1968 and 5,000 shares in 1969 of treasury common stock issued for companies acquired	—	—	214,045	99,121
Excess of capital accounts of pooled companies over par value of stock issued and expenses of the poolings (1966: 41,110 shares of common stock; 1967: 26,260 shares of $1.25 convertible preference stock)	78,468	61,190	—	—
Excess of proceeds over par value of shares issued:				
Under stock option plans (19,761 shares of $1.25 convertible preference stock and 61,883 shares of common stock in 1966; 4,920 shares of $1.25 convertible preference stock and 51,859 shares of common stock in 1967; 1,367 shares of $1.25 convertible preference stock, 360 shares of $2.00 convertible preference—Series C and 10,410 shares of common stock in 1968 and 8,833 shares of $1.25 convertible preference stock and 36,683 shares of common stock in 1969)	677,993	440,038	176,286	700,422
Under acquisition agreement options (59,455 shares of $1.25 convertible preference stock and 44,554 shares of common stock)	1,581,616	—	—	—
To stockholders subsequently assenting to 1964 reorganization—1,959 shares of $1.25 convertible preference stock and 5,384 shares of common stock	103,789	—	—	—
Excess of principal amount of subordinated notes discharged ($5,000,000) over principal amount of short term note ($2,500,000) and par value of 80,000 shares of $1.25 convertible preference stock—Series B issued in satisfaction thereof	—	2,420,000	—	—
Value attributed at issuance to conversion privilege of 5½% convertible subordinated debentures	—	763,500	—	—

(continued)

	Year ended September 30			Six months ended March 31, 1969 (Unaudited)
	1966	1967	1968	
Excess of fair value over principal amount of 5½% convertible subordinated debentures issued for company acquired	—	—	2,557,192	—
Excess of principal amount of subordinated debentures converted over par value of common stock issued and related discount on debentures converted (12,866 shares in 1967 and 613,926 shares in 1968, including 14 shares issued from treasury)	—	333,922	16,660,713	—
Redemption and retirement of 16,872 shares (entire issue) of Class B preferred stock and 57,663 shares of common stock for $2,407,961 and 22,564 shares of $1.25 convertible preference stock, less amount charged to retained earnings	(272,605)	—	—	—
Redemption and retirement of $1.25 convertible preference stock—Series B, less amount charged to retained earnings	—	—	—	(2,420,000)
Transfer from retained earnings of fair value of special distribution of 15/100 warrant per common share	—	—	—	4,536,160
Other changes	24,724	(8,686)	(7,533)	13,012
BALANCE AT END OF PERIOD	$10,149,027	$14,962,724	$74,051,552	$82,883,061

* The parent company's capital surplus balance at the end of each period is $15 greater than those shown above due to investments in companies that formerly operated in Cuba which are eliminated in consolidation.

See Notes to Consolidated Financial Statements

BANGOR PUNTA CORPORATION (Parent Company)

BANGOR PUNTA CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF RETAINED EARNINGS

	Year Ended September 30			Six Months Ended March 31, 1969 (Unaudited)
	1966	1967	1968	
BALANCE AT BEGINNING OF PERIOD	$24,747,268	$27,751,427	$31,820,301	$37,922,657
ADD—Net income	5,568,719	5,571,487	8,243,536	5,031,736
	30,315,987	33,322,914	40,063,837	42,954,393
DEDUCT:				
Cash dividends:				
$1.25 convertible preference stock and $1.25 convertible preference stock—Series B (from January 30, 1967)—$1.25 per share annually	486,324	699,005	742,858	241,923
$2.00 convertible preference stock—Series C, from July 31, 1968—$.25 per share in 1968 and $1.00 during the six months ended March 31, 1969	—	—	143,388	550,456
Common stock—$.10 per share in 1966, $.50 per share in 1967, $.60 per share in 1968 and $.30 per share during the six months ended March 31, 1969	146,699	803,608	1,254,934	875,944
Fair value of special distribution of 15/100 warrant per common share	—	—	—	4,536,160
Redemption and retirement of Class B preferred stock and common stock, less amount charged to capital surplus	1,931,537	—	—	—
Redemption and retirement of $1.25 convertible preference stock—Series B, less amount charged to capital surplus	—	—	—	1,000,000
	2,564,560	1,502,613	2,141,180	7,204,483
BALANCE AT END OF PERIOD (Note 4)	$27,751,427	$31,820,301	$37,922,657	$35,749,910

See Notes to Consolidated Financial Statements

BANGOR PUNTA CORPORATION (Parent Company)

BANGOR PUNTA CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information Relating to March 31, 1969 is Unaudited)

NOTE 1—Principles of Consolidation:

The consolidated financial statements include the accounts of Bangor Punta Corporation (Bangor Punta—formerly Bangor Punta Alegre Sugar Corporation) and its subsidiaries, except for Bangor and Aroostook Railroad Company and its subsidiaries (the Railroad) and Prodco Finance Co. (Prodco). Investments in subsidiary companies, including the Railroad and Prodco, are adjusted annually for the equity in subsidiaries' undistributed earnings. All material intercompany items have been eliminated in consolidation.

At September 30, 1965, the equity in the underlying net assets of the Railroad amounted to $29,791,456, which was $21,694,917 more than the then carrying value. Recognition of this excess was deemed appropriate but it was decided to limit the amount includible in stockholders' equity to $18,384,808 based upon a market price evaluation of the Railroad common stock. This resulted in increasing the carrying amount of the investment in the Railroad and stockholders' equity by $10,288,629. Such restated carrying amount of the investment was $11,406,648 less than the equity in underlying net assets. During the year ended September 30, 1966 the carrying amount of the investment increased by $749,983, representing the cost of 559 shares of capital stock acquired from minority holders and the equity in undistributed earnings for the year, to the amount of $19,134,791, or $11,449,312 less than the equity of $30,584,103 in the underlying net assets of the Railroad. During the year ended September 30, 1967 the carrying amount of the investment decreased by $336,488, representing the excess of dividends paid to the parent over the parent's equity in the earnings of the Railroad, to $18,798,303, or $11,451,123 less than the equity of $30,249,426 in the underlying net assets of the Railroad. During the year ended September 30, 1968 the carrying amount of the investment increased by $32,443, representing the cost of 120 shares of capital stock acquired from minority holders and the equity in undistributed earnings for the year, to the amount of $18,830,746, or $11,465,081 less than the equity of $30,295,827 in the underlying net assets of the Railroad. Separate financial statements of the Railroad are included elsewhere herein.

Condensed balance sheets of Prodco Finance Co., wholly-owned by Producers Cotton Oil Company (a subsidiary of Bangor Punta) are as follows:

PRODCO FINANCE CO.
Condensed Balance Sheets

ASSETS	September 30, 1968	March 31, 1969
Cash	$ 25,000	$ 25,000
Notes and accounts receivable	8,444,786	7,991,825
Loans and advances to growers	26,232,655	19,494,370
Crop loans to parent company owned ranches	1,684,859	4,285,444
Deferred charges	2,312	2,040
	$36,389,612	$31,798,679
LIABILITIES AND CAPITAL		
Loans payable to banks	$30,538,357	$16,306,369
Accounts payable and accrued expenses	886,501	1,035,489
Parent company investment:		
Subordinated loans	4,000,000	4,000,000
Short-term advances	923,795	10,374,508
Capital stock, 25,000 shares—$1 par value	25,000	25,000
Retained earnings	15,959	57,313
	4,964,754	14,456,821
	$36,389,612	$31,798,679

BANGOR PUNTA CORPORATION (Parent Company)
BANGOR PUNTA CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Producers Cotton Oil Company is obligated to loan Prodco Finance Co. up to $4,000,000 subordinated to the bank loans, and has also guaranteed 10% of the maximum amount advanced by certain banks to Prodco during the year, and with respect to the principal bank has guaranteed the 10% or $2,000,000 whichever is greater.

Since the inception of Prodco in January 1968, gross revenues aggregated $1,711,346, and expenses totaled $1,695,387, resulting in a net income of $15,959 for the period ended September 30, 1968. For the six months ended March 31, 1969, gross revenues aggregated $997,577, and expenses totaled $956,223 resulting in a net income of $41,354.

An Agreement and Plan of Reorganization dated September 21, 1964, and approved by stockholders on October 13, 1964, among Punta Alegre Sugar Corporation (Punta), Bangor & Aroostook Corporation (Bangor), and Punta Alegre Commodities Corporation (name since changed to Bangor Punta Operations, Inc.), provided for the transfer of substantially all the net assets of Bangor to Commodities in exchange for Punta's stock and the name of Punta was changed to Bangor Punta Alegre Sugar Corporation—now Bangor Punta Corporation. For accounting purposes, the transaction was treated as a pooling of interests and accordingly the consolidated statement of earnings appearing elsewhere herein is presented on a combined basis for 1964.

During the year ended September 30, 1965, five companies were acquired, principally for cash, through the acquisition of either the capital stock or the net assets, all of which were accounted for as purchases and their net income included in consolidated earnings from the respective negotiated dates of purchase.

During the year ended September 30, 1966, the principal acquisition was the purchase for cash of substantially all of the capital stock of Smith & Wesson, Inc. whose operations have been included in the statement of earnings since October 1965. During the same fiscal year, the net assets of The O'Day Corporation were acquired in exchange for 41,110 shares of Bangor Punta common stock in a transaction treated as a pooling of interests and the operations of O'Day are included in the statement of earnings for the three years ended September 30, 1966.

During the fiscal year ended September 30, 1967, 71.38% of the outstanding common shares of Starcraft Corporation and all of the outstanding capital stock of Jensen-Wenck Marine Corporation were acquired and accounted for as purchases and the Barker Manufacturing Co. and subsidiary was acquired for 26,260 shares of Bangor Punta's $1.25 convertible preference stock and accounted for as a pooling of interests. The operations of Barker Manufacturing Co. have been included in the statement of earnings for the four years ended September 30, 1967.

During the fiscal year ended September 30, 1968, 98% of the capital stock of Producers Cotton Oil Company was acquired in December 1967, pursuant to a tender offer. Additional common stock of Starcraft Corporation was acquired in March 1968, increasing Bangor Punta's ownership interest to 96%, and on September 30, 1968 Starcraft was merged into a wholly-owned subsidiary. On July 30, 1968, Waukesha Motor Company was acquired and merged. In connection with the purchase of Metcalf & Eddy, Inc. in October 1967, up to 40,000 additional shares of common stock are to be delivered depending on the earnings of the acquired business. Such shares were subsequently issued during the six months ended March 31, 1969. With respect to another acquisition, cash payments are required based on pre-tax earnings, as defined, over the next five years. Five other businesses were acquired for cash, 28,527 shares of common stock and 6,000 shares of $1.25 convertible preference stock. All acquisitions during 1968 have been accounted for as purchases and the statement of consolidated income includes the earnings of such companies from the respective dates of acquisition. The principal businesses acquired in 1968, contributed $42,922,000 to the Company's consolidated net sales and $3,822,000 to consolidated operating income (before interest, parent companies' overhead and Federal income taxes).

During the four years ended September 30, 1968, the Company disposed of the so-called "Metals Portion" of Pacific Metals Division on September 30, 1965, the C-G-F Topeka Grain Elevator Properties on June 30, 1966, and Goal Credit Corporation as of July 31, 1966, and their operations to the respective dates of sale have been included in "Operating Income of Property Sold" in the statement of earnings. The loss of approximately $2,500,000 resulting from the sale of the C-G-F Topeka Grain Elevator Properties is included in "gain (loss) on sale of properties and securities" for 1966. The balance of "gain (loss) on sale of properties and securities" for all years principally comprise gains on sales of marketable securities.

In February and March 1969, Featherweight Corporation and Connell Associates, Inc. were acquired for an initial consideration of $153,285 and 88,473 shares of Bangor Punta common stock with additional shares of common stock, up to a maximum of 124,207 shares, to be delivered depending on the earnings of the acquired businesses over five-year periods. During the six months ended March 31, 1969, four other small businesses were acquired by the issuance of 5,000 shares of Bangor Punta treasury common stock and cash of $405,000. With respect to one acquisition, additional cash payments are to be made depending on future net after-tax earnings. All of these acquisitions have been accounted for as purchases.

BANGOR PUNTA CORPORATION (Parent Company)
BANGOR PUNTA CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 2—Trade Inventories:

The consolidated trade inventories at September 30, 1968, stated at the lower of cost (first-in, first-out, or average) or market, consisted of the following classes:

Finished goods	$19,496,344
Contracts in progress	605,643
Work in process	25,549,952
Textile greige goods	3,934,939
Raw materials	15,653,542
Growing crops	3,142,153
	$68,382,573

It is not practicable to analyze the trade inventories by classes at March 31, 1969.

The consolidated trade inventories at the end of the respective years used in the computation of cost of sales, are as follows:

March 31, 1969	$83,281,369
September 30, 1968	68,382,573
September 30, 1967	36,531,590
September 30, 1966	23,367,206
September 30, 1965	12,650,114

NOTE 3—Properties and Depreciation:

Properites and related accumulated depreciation consist of:

	September 30, 1968		March 31, 1969	
	Properties	Accumulated Depreciation	Properties	Accumulated Depreciation
Land	$ 2,930,888	$ —	$ 3,190,774	$ —
Farm lands	12,095,790	—	12,602,999	—
Buildings and site improvements	24,979,325	8,178,505	26,187,671	8,628,816
Machinery and equipment	68,584,315	37,888,828	72,325,770	40,126,332
Leaseholds	2,046,085	834,962	2,323,946	933,304
	$110,636,403	$46,902,295	$116,121,160	$49,688,452

Farm lands and other properties of Producers Cotton Oil Company, a consolidated subsidiary, are substantially pledged under deeds of trust and mortgages to secure certain insurance company loans and bank loans.

The rates of depreciation are as follows:

Buildings and site improvements	2.5 to 10%
Machinery and equipment	5½ to 33⅓%
Leaseholds	Term of Lease

The declining balance method is used for some new property and the straight-line method is generally used for other property. As of October 1, 1964, the period for depreciating the facilities of the C-G-F Topeka Grain Elevator (sold as of June 30, 1966) was extended to correspond with the period estimated to be allowable for Federal income tax purposes. This reduced depreciation charges charged to "Operating income (loss) of properties sold" for the year ended September 30, 1965 by approximately $850,000 as compared with the prior year. The aggregate amount of depreciation charged directly to profit and loss for each of the periods is as follows:

1964	$2,279,998
1965	1,586,322
1966	2,214,795
1967	1,962,577
1968	4,057,529

Depreciation for the six months ended March 31, 1969 amounted to $3,374,448.

BANGOR PUNTA CORPORATION (Parent Company)

BANGOR PUNTA CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Expenditures for maintenance and repairs are charged to operations; expenditures for betterments are capitalized. At the time properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts and any profit or loss is recognized in the accounts.

The "excess of cost over net assets of companies acquired" is considered to have a continuing value over an indefinite period and therefore is not being amortized.

NOTE 4—Long-Term Debt:

Long-term debt at September 30, 1968 and March 31, 1969 is summarized as follows:

	September 30, 1968		March 31, 1969	
	Current Amount	Non-Current Amount	Current Amount	Non-Current Amount
Parent company:				
Insurance company loans:				
6% joint and several promissory notes due March 1, 1983	$ 600,000	$ 25,200,000	$ 600,000	$ 24,600,000
6% joint and several convertible notes due March 1, 1983	—	4,200,000	—	4,200,000
7¼% joint and several notes due March 1, 1983	—	20,000,000	—	20,000,000
6½% notes payable in ten annual installments beginning May 1, 1969 (secured by pledge of marketable securities of subsidiary)	144,840	1,303,560	144,840	1,303,560
	744,840	50,703,560	744,840	50,103,560
Consolidated subsidiaries:				
Insurance company loans:				
5.78% note payable in annual instalments of $468,000 with the final instalment of $805,500 payable in 1980	468,000	5,953,500	468,000	5,485,500
5½% and 5⅝% notes payable in annual instalments of $220,000 with the final instalment of $1,320,000 payable in 1983	220,000	4,180,000	220,000	3,960,000
6% note payable in semiannual instalments of $50,000 with the final instalment of $504,236 payable in 1974	100,000	954,236	100,000	904,236
Bank loans:				
Term notes, interest 1% over prime rate, due in quarterly instalments of $400,000 each with balance due on September 30, 1972	1,600,000	6,400,000	1,600,000	5,600,000
Revolving loan, prime interest rate, revolving credit extended to June 15, 1971—maximum available, $30,000,000	—	30,000,000	—	30,000,000
Other bank loans, 4% to 6¾%	291,012	1,649,326	281,160	1,452,510
5¼% guaranteed convertible debentures due 1988	—	15,000,000	—	15,000,000
Other debt	431,013	823,578	246,627	682,080
	$3,854,865	$115,664,200	$3,660,627	$113,187,886

Annual instalments on the 6% promissory notes due March 1, 1983 are payable in the amount of $600,000 from 1969 to 1973 and $1,800,000 from 1974 to 1982. The 6% convertible notes held by the insurance company are convertible into Bangor Punta common stock at the conversion price of $33.17, subject to anti-dilution adjustments.

Pursuant to a Note and Warrant Agreement dated July 31, 1968, the 7¼% joint and several notes due March 1, 1983 were issued together with 55,000 Series A warrants and 60,000 Series B warrants to purchase 115,000 shares of Bangor Punta common stock at $55 a share, subject to adjustment. Any portion of the loan not used for "approved acquisitions", as defined, by November 1, 1970, must, at the option of the holders of such notes and by notice given to Bangor Punta prior to May 1, 1971 be repaid. In the event of repayment, the lender must surrender the proportionate

BANGOR PUNTA CORPORATION (Parent Company)

BANGOR PUNTA CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

number of 60,000 Series B warrants originally received. Annual instalments on the notes are due in amounts equal to 2% of the aggregate principal amount from 1973 to 1977 and 6% from 1978 to 1982.

The insurance company and bank loan agreements, as amended, provide, among other things, for the maintenance of minimum working capital and restrict the amounts which may be paid as dividends on and redemptions of any class of stock after September 30, 1965, except dividends payable solely in shares of stock of the Company. At September 30, 1968 working capital exceeded the minimum requirement. The consolidated retained earnings available for dividends at September 30, 1968 was $3,900,000. In addition, 50% of consolidated net income (as defined) in subsequent years will be available for cash dividends.

The 5¼% guaranteed convertible debentures due July 1, 1988 are unsecured direct obligations of Bangor Punta International Capital Company (International Capital), are guaranteed jointly and severally by Bangor Punta Corporation and Bangor Punta Operations, Inc. (a wholly-owned subsidiary) and are convertible from January 15, 1969 into Bangor Punta Corporation common stock at $55 a share. The debentures will be subject to redemption through a sinking fund on each July 1 from 1979 to 1987 in principal amounts equal to 10% of the aggregate principal amount of debentures outstanding on April 30, 1979. At the option of International Capital, subject to certain restrictions, the debentures may be redeemed in principal amounts of not less than $1,000,000 beginning July 1, 1971. In the event that interest paid to the debenture holders becomes subject to United States taxation, the debentures outstanding may be called for redemption.

Maturities of long-term obligations in each of the five years after September 30, 1968 are as follows:

	Revolving Credit	Insurance Company and Bank Loans	Other
First Year	$ —	$2,988,000	$866,865
Second Year	30,000,000	2,988,000	672,771
Third Year	—	2,988,000	760,892
Fourth Year	—	4,588,000	447,088
Fifth Year	—	1,788,000	496,088

Under a new Loan and Guaranty Agreement with the lending banks dated May 15, 1969, the term notes were increased to $25,000,000 and the revolving credit was extended to June 15, 1971.

Maturities of long-term obligations in each of the five years after March 31, 1969 are as follows:

	Revolving Credit	Insurance Comany and Bank Loans	Other
First Year	$ —	$3,269,160	$391,467
Second Year	—	3,256,743	389,336
Third Year	30,000,000	3,241,925	373,325
Fourth Year	—	3,205,012	179,428
Fifth Year	—	3,195,380	175,690

NOTE 5—Subordinated Debt:

The 5¾% subordinated bonds are due November 15, 1992 and are secured by the pledge of all shares of common stock of Producers Cotton Oil Company owned by the Company. A mortgage of certain real estate interests owned by a subsidiary of Producers, subject to existing liens, may be substituted for the pledged shares. Deficiencies after realization on the pledged security are subordinated to all existing and future senior indebtedness, as defined. The bonds are entitled to an annual purchase fund from 1968 through 1977 and to an annual sinking fund commencing in 1978 and are, subject to certain restrictions, redeemable at the option of the Company. At September 30, 1968, $244,000 principal amount of bonds were held in treasury.

The 5½% convertible subordinated debentures due April 15, 1987 were called for redemption on September 18, 1968. All outstanding debentures were converted into common stock except for $23,900 principal amount.

NOTE 6—Federal Taxes on Income:

Punta Alegre Sugar Corporation and its domestic subsidiaries filed a consolidated income tax return for the year ended September 30, 1960, claiming losses reflecting the seizure of their Cuban assets which the corporation has elected to carry forward as a "foreign expropriation loss". With the approval of its tax counsel, Dewey, Ballantine, Bushby, Palmer & Wood, the corporation has claimed deductions based on a net operating loss carryover from 1960 in amounts sufficient to offset all consolidated taxable income for the six years ended September 30, 1966. The corporation has provided for Federal income tax requirements in its financial statements on the assumption that no carryover was

available after 1966. The Internal Revenue Service is currently examining the corporation's tax returns for the years 1964 through 1966.

Accelerated depreciation methods are in use for tax purposes with respect to certain facilities; provision has been made for taxes that will be payable in the future when book depreciation exceeds tax depreciation. The tax provision for the year 1966 includes $500,000 for deferred taxes and $101,022 for taxes on income of acquired companies for periods prior to their inclusion in the consolidated tax return of Bangor Punta.

For 1967, the provision for Federal income taxes is computed on a "flow-through" basis, after application of aggregate investment tax credits accumulated to September 30, 1967 of approximately $1,300,000 and includes provision for deferred taxes of $825,000.

The tax provision for 1968 is net of investment credits of $470,000 and includes provision for deferred taxes of $1,500,000.

NOTE 7—Incentive Stock Options:

Incentive stock options have been granted to officers and employees at various times since 1960 at prices of 95% or 100% of market value at date of grant. The stockholders, in January 1966, reserved 40,000 shares of common stock under a plan by which the options will be considered "Qualified Stock Options". From such reserved shares, options were granted for 38,370 shares, net of cancellations of 1,880 shares, at prices ranging from $14.94 to $48.63 per share, leaving 1,630 shares available for future grants. In addition and not pursuant to such plan, options for 8,800 shares at prices ranging from $12.50 to $25.00 per share were granted in 1966 to key employees of O'Day who remained with the organization, and in 1968, 300 units of 1.2 shares of $2 convertible preference stock and 0.25 shares of common stock at a unit price of $44 were substituted for the outstanding stock options of an employee of the Waukesha Motor Company under the terms of the merger agreement. A summary of the options outstanding at September 30, 1968, together with the option price and the market value at the dates the options were granted, follows:

	Number of Shares		Option Price		Market Value at Date Granted	
Date Granted	$1.25 Convertible Preference Stock	Common Stock	Per Unit	Aggregate Exercise Price	Per Unit	Aggregate Market Value
Units of 0.4 share of $1.25 convertible preference stock and 1.1 shares of common stock:						
1961	816	2,244	$24.88	$ 50,750	$26.11	$ 53,260
1962	4,473	12,301	16.36–20.30	223,057	11.59–21.32	229,945
1964	3,520	9,680	22.50	198,000	22.50	198,000
Units of 0.1 share of $1.25 convertible preference stock and 1 share of common stock:						
1962	315	3,152	8.57	27,000	8.57	27,000
1963	1,084	10,750	10.94–11.66	123,149	10.94–11.66	123,149
Units of 1 share of common stock:						
1965	—	22,060	14.94–26.00	526,694	14.94–26.00	526,694
1967	—	10,300	26.25	270,375	26.25	270,375
1968	—	2,750	48.00–48.63	132,938	48.00–48.63	132,938
Granted in connection with O'Day acquisition in 1966	—	900	17.50–20.00	17,000	24.00	21,600
Options Outstanding at September 30, 1968	10,208	74,137		$1,568,963		$1,582,961

BANGOR PUNTA CORPORATION (Parent Company)

BANGOR PUNTA CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of October 1, 1966 options to purchase an aggregate of 36,724 shares of $1.25 convertible preference stock and 153,954 shares of common stock were outstanding. Options covering 25,296 shares of $1.25 convertible preference stock and 69,564 shares of common stock were granted at prices not less than 95% of the market price at date of grant and the remainder at 100% of the market price.

A summary of the options exercised and those becoming exercisable since that date is as follows:

	Number of Shares			Option Price		Market Value	
	$2 Convertible Preference Stock	$1.25 Convertible Preference Stock	Common Stock	Per Unit	Aggregate Option Price	Per Unit	Aggregate Market Value
						(at dates exercised)	
Options Exercised:							
Units of 1.2 shares of $2 convertible preference stock and 0.25 shares of common stock:							
1968	360	—	75	$44	$13,200	$64.74	$19,423
Units of 0.4 share of $1.25 convertible preference stock and 1.1 shares of common stock:							
1968	—	1,280	3,520	16.36	52,352	63.94	204,600
1967	—	360	990	22.50	20,250	43.09	38,779
1966	—	18,727	51,499	12.99-20.30	650,524	39.43-52.76	1,920,145
Units of 0.1 share of $1.25 convertible preference stock and 1 share of common stock:							
1968	—	87	875	11.66	10,199	48.43-56.36	46,263
1967	—	4,560	45,649	8.57-11.66	402,254	24.00-54.81	1,182,304
1966	—	1,034	10,384	8.57-11.66	109,113	26.79-37.20	329,087
Units of 1 share of common stock:							
1968	—	—	5,940	12.50-26.25	112,672	38.38-56.75	295,261
1967	—	—	5,220	12.50-24.25	74,313	27.00-47.63	160,657
Options Becoming Exercisable:						(at dates exercisable)	
Units of 1.2 shares of $2 convertible preference stock and 0.25 shares of common stock:							
1968	360	—	75	$44	$13,200	$62.77	$18,831
Units of 0.4 share of $1.25 convertible preference stock and 1.1 shares of common stock:							
1968	—	704	1,936	22.50	39,600	65.36	115,038
1967	—	704	1,936	22.50	39,600	38.85	68,376
1966	—	1,640	4,510	16.36-22.50	84,145	37.10-52.81	190,229
Units of 0.1 share of $1.25 convertible preference stock and 1 share of common stock:							
1968	—	—	—	—	—	—	—
1967	—	432	4,250	10.94-11.66	49,000	32.03-50.24	199,869
1966	—	1,337	15,008	8.57-10.94	133,008	30.55-33.28	494,264
Units of 1 share of common stock:							
1968	—	—	7,490	14.94-48.63	194,554	44.50-58.00	357,856
1967	—	—	7,220	14.94-26.25	172,894	20.25-42.88	168,855
1966	—	—	14,700	12.50-26.00	281,224	14.94-26.00	347,924

During 1968, options were granted to various officers and employees to purchase 6,600 shares (net of cancellations) of common treasury stock at $20 per share. All the options have been exercised on deferred payment terms with $128,000 outstanding at September 30, 1968. The fair value of the shares at the exercise dates amounted to $248,869. In the event that any such officer or employee terminates his employment prior to the dates specified in the individual option agreements, all or part of his shares may be required to be redelivered to the Company at which time the corresponding indebtedness will be cancelled.

At the time the stock options were exercised, the proceeds received, less the par value of the shares issued, were credited to capital surplus and no charge to income was made.

NOTE 8—Preference Stock:

The $1.25 convertible preference stock, $1 par value, is entitled to cumulative dividends at the annual rate of $1.25, is entitled to $25 per share plus accrued dividends upon involuntary liquidation, and is convertible at the rate of one share of common stock for each share of preference stock. The Board of Directors has resolved that no action be taken to cause the formal redemption of all or part of this issue prior to September 15, 1971. The redemption price after that date will be $25.25 per share.

The $1.25 convertible preference stock—Series B, $1 par value, is entitled to cumulative dividends at the annual rate of $1.25, is entitled to $43.75 per share plus accrued dividends upon involuntary liquidation, is convertible at the rate of one share of common stock for each share of such preference stock, and may be redeemed on or after February 1, 1971, at $43.75 per share. The holders of such stock may cause the Company to purchase all of such shares for $3,500,000 between December 31, 1968 and February 1, 1971, and in addition, the Company may, at its option, purchase all of the shares for $3,500,000 at any time before January 1, 1971.

The $2.00 convertible preference stock—Series C, $1 par value, is entitled to cumulative dividends at the annual rate of $2.00, is entitled to $50.00 per share plus accrued dividends upon involuntary liquidation and is convertible at the rate of 1.1 share of common stock for each share of such preference stock, subject to adjustment. The stock may be redeemed by the Company at prices ranging from $54.00 a share during the twelve-month period beginning July 30, 1973 to $51.00 a share during the twelve-month period beginning July 30, 1976 and at $50.00 a share thereafter plus accrued dividends.

The aggregate preference on involuntary liquidation exceeds the par value of the issued $1.25 convertible preference stock, the $1.25 convertible preference stock—Series B and the $2.00 convertible preference stock—Series C by $43,774,622 at September 30, 1968. In the opinion of counsel, there are no restrictions upon surplus by reason of such differences.

In January 1969, the $1.25 convertible preference stock—Series B was redeemed and retired.

NOTE 9—Treasury Stock:

Prior to September 30, 1963, Punta acquired 11,000 shares of its common stock which it carried at the par value thereof, or $11,000. During the year ended September 30, 1966, Bangor Punta purchased from three stockholders 20,236 shares of $1.25 convertible preference stock and 89,204 shares of common stock for an aggregate consideration of $2,969,230 and issued 7,453 shares of $1.25 convertible preference stock for companies acquired. During the year ended September 30, 1967, Bangor Punta purchased 1,318 shares of $1.25 convertible preference stock and 1,132 shares of common stock for an aggregate consideration of $60,720, resulting in 14,101 shares of $1.25 convertible preference stock and 101,336 shares of common stock in treasury at September 30, 1967. During the year ended September 30, 1968, 13,374 shares of common stock were issued, leaving 87,962 common shares in treasury. During the six months ended March 31, 1969, 10,677 shares of common stock were issued, leaving 77,285 common shares in treasury and 1,500 shares of $2.00 convertible preference stock—Series C were purchased for an aggregate consideration of $66,583.

NOTE 10—Pension and Profit Sharing Plans:

The parent and one subsidiary have pension plans under which insurance policies are purchased for qualifying employees. The cost of these plans amounted to $26,468, $28,378 and $26,459 in 1966, 1967 and 1968, respectively. The parent and certain subsidiaries and divisions have deferred profit sharing and union retirement plans to which they make contributions. The contributions under these various plans aggregated $793,829, $1,005,890 and $1,899,917 for the years 1966, 1967 and 1968, respectively.

BANGOR PUNTA CORPORATION (Parent Company)

BANGOR PUNTA CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 11—Commitments and Contingent Liabilities:

In the opinion of General Counsel, legal proceedings pending are not expected to have any material adverse effect on the Corporation's financial position as such actions are substantially without merit or are covered by product liability insurance.

Aggregate annual rentals under leases expiring more than three years from September 30, 1968 amounted to approximately $1,283,000, plus, in certain cases, real estate taxes and other expenses.

On August [illegible], 1968, Bangor Punta agreed to acquire Crosman Arms Company, Inc. (Crosman), a privately owned manufacturer of pellet guns used for target shooting. The consideration is to be 190,000 shares of a new $3.00 convertible preference stock—Series D which will be convertible into common stock. The acquisition is subject to the vote of the shareholders of Crosman.

A subsidiary has been engaged by two companies to assist them in acquisitions. Bangor Punta Operations, Inc. has agreed to guarantee bank loans up to a maximum amount of $2,000,000 obtained by such companies to finance acquisitions and has also guaranteed performance under contingent payment arrangements with the seller of an acquired business.

Pursuant to options agreements with the sellers of Featherweight Corporation (Sellers), the Company may require the Sellers to sell or the Sellers may require the Company to buy the 62,793 initial shares of common stock (representing 42% of the maximum consideration issuable) issued to the Sellers. The option is exercisable up to 20% (12,558 shares) at a total of $595,676 in July 1969 and the remaining 80% (50,235 shares) at a total of $2,499,945 in July 1970.

NOTE 12—Subsequent Event:

On December 3, 1968 the Board of Directors of Bangor Punta approved a special distribution of warrants—Series C, expiring March 31, 1981 to common stockholders of record on January 31, 1969. For each share of common stock held .15 of warrant is being issued. Each full warrant will entitle the holder to purchase one share of common stock at $55 per share.

NOTE 13—Supplementary Profit and Loss Information:

	Year Ended September 30,			Six Months Ended March 31,
	1966	1967	1968	1969
Charged directly to profit and loss:				
Maintenance and repairs	$ 999,028	$1,460,093	$2,228,318	$2,041,740
Depreciation and amortization of fixed assets	2,214,795	1,962,577	4,057,529	3,374,448
Taxes, other than income taxes:				
Real estate and personal property	522,322	440,216	803,159	1,151,941
Payroll	954,499	1,460,870	2,200,926	1,819,862
State franchise and excise	396,877	238,162	856,055	432,012
Other	51,065	62,550	52,549	35,676
	1,924,763	2,201,798	3,912,689	3,439,491
Management and service contract fees	85,246	—	76,376	46,120
Rents	538,471	941,132	1,987,099	1,488,987
Royalties	92,729	237,531	405,470	219,632

BANGOR AND AROOSTOOK RAILROAD COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 1968 (Audited)	March 31, 1969 (Unaudited)
CURRENT ASSETS:		
Cash	$ 1,854,200	$ 1,800,945
Special deposits	10,793	9,781
Temporary cash investments, at cost which approximates market	107,635	1,009
Net balances receivable from agents and conductors	386,398	478,250
Miscellaneous accounts receivable—net	585,407	521,357
Accrued accounts receivable	399,174	550,215
Material and supplies, at cost	922,867	698,804
Other current assets	87,300	167,411
Total current assets	4,353,774	4,227,772
SPECIAL FUNDS	81,311	102,762
INVESTMENTS AND ADVANCES:		
Advances to Parent Company (Note B)	301,132	—
Miscellaneous investments—at cost	142,743	155,464
Total investments and advances	443,875	155,464
PROPERTIES—at cost (Note C)	88,615,021	88,863,371
Less accumulated depreciation and amortization	25,222,755	26,235,992
Properties—net	63,392,266	62,627,379
OTHER ASSETS AND DEFERRED CHARGES:		
Non-current receivables and other assets	70,553	59,081
Unamortized expense on long-term debt (Note D)	94,902	87,577
Other deferred charges	582,338	648,385
Total other assets and deferred charges	747,793	795,043
	$69,019,019	$67,908,420

See Notes to Consolidated Financial Statements

BANGOR AND AROOSTOOK RAILROAD COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 1968 (Audited)	March 31, 1969 (Unaudited)
CURRENT LIABILITIES:		
Loans payable:		
Banks	$ 61,190	$ 28,940
Current portion of long-term debt	2,350,916	2,285,232
Traffic and car service balances	581,990	874,903
Audited accounts and wages payable	315,874	282,320
Miscellaneous accounts payable	259,848	178,746
Accrued liabilities:		
Other taxes	130,748	210,568
Vacation pay	356,000	368,000
Interest	320,704	305,010
Other	239,409	273,781
Other current liabilities	566,007	648,770
Total current liabilities	5,182,686	5,456,270
LONG-TERM DEBT (exclusive of current portion) (Note D):		
Equipment obligations 2¾% to 6¾%, various maturities through 1983	16,763,621	15,807,811
First mortgage 4¼%, Series A, due 1976	6,525,000	6,425,000
First mortgage 5¼%, Series B, due 1973	225,000	225,000
Income promissory notes 5⅛%, due 1995	2,944,000	2,944,000
Notes payable	6,250	—
Total long-term debt (exclusive of current portion)	26,463,871	25,401,811
OTHER LIABILITIES AND DEFERRED CREDITS:		
Deferred Federal income taxes (Note E)	6,555,810	55,810
Other	121,792	272,864
Total other liabilities and deferred credits	6,677,602	6,828,674
CONTINGENT LIABILITIES AND COMMITMENTS (Notes F and G)		
SHAREHOLDERS' EQUITY:		
Common stock—authorized 500,000 shares of $1 par value; issued and outstanding, 179,810 shares	179,810	179,810
Capital surplus (no change since September 30, 1963)	9,265,540	9,265,540
Retained income (Note H)	21,249,510	20,776,315
Total shareholders' equity	30,694,860	30,221,665
	$69,019,019	$67,908,420

See Notes to Consolidated Financial Statements

BANGOR AND AROOSTOOK RAILROAD COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	Year Ended September 30 (Audited)			Six Months Ended March 31, (Unaudited)	
	1966	1967	1968	1968	1969
REVENUES:					
Transportation (including incidental and joint facility revenue)	$13,014,967	$13,651,362	$13,233,114	$6,585,310	$7,023,863
Railroad rent income—net	2,521,378	2,146,473	2,348,978	820,283	825,314
Sales and operating	1,072,766	1,084,997	624,081	218,686	198,027
Dividends and interest	132,060	130,666	56,530	23,007	12,400
Other income	195,153	124,364	154,492	28,552	32,440
Total revenues	16,936,324	17,137,862	16,417,195	7,675,838	8,092,044
EXPENSES AND CHARGES:					
Railway expenses:					
Maintenance of way and structures	2,796,235	2,794,728	2,847,578	1,404,737	1,541,174
Maintenance of equipment	4,112,811	4,351,402	4,328,868	2,221,678	2,307,770
Traffic	330,915	340,780	331,111	172,668	170,842
Transportation	4,076,651	4,345,094	4,322,489	2,316,145	2,338,049
General	996,950	957,175	926,498	480,059	471,242
Taxes, other than Federal income taxes	1,036,661	1,125,491	1,189,367	582,431	589,790
Interest and debt expense	1,229,173	1,434,139	1,502,356	724,683	727,770
Other	385,388	349,992	210,893	79,985	87,138
Total railway expenses	14,964,784	15,698,801	15,659,160	7,982,386	8,233,775
Cost of Sales	810,300	801,151	475,797	226,839	229,422
Selling, general and administrative	236,688	258,883	222,850	115,340	102,042
Total expenses and charges	16,011,772	16,758,835	16,357,807	8,324,565	8,565,239
Income before Federal income taxes	924,552	379,027	59,388	(648,727)	(473,195)
PROVISION FOR DEFERRED FEDERAL INCOME TAXES (Note E)	—	125,000	—	—	—
Income before extraordinary items	924,552	254,027	59,388	(648,727)	(473,195)
EXTRAORDINARY ITEM—Gain on sale of securities	377,007	—	—	—	—
Net Income	$ 1,301,559	$ 254,027	$ 59,388	$ (648,727)	$ (473,195)

See Notes to Consolidated Financial Statements

BANGOR AND AROOSTOOK RAILROAD COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED INCOME

	Year Ended September 30 (Audited)			Six Months Ended March 31 1969 (Unaudited)
	1966	1967	1968	
Balance at Beginning of Period	$20,857,244	$21,565,430	$21,226,084	$21,249,510
Add—Net Income (loss)	1,301,559	254,027	59,388	(473,195)
Total	22,158,803	21,819,457	21,285,472	20,776,315
Less—Cash dividends—$3.30 per share in 1966, $3.30 per share in 1967, and $.20 per share in 1968	593,373	593,373	35,962	—
Balance at End of Period (Note H)	$21,565,430	$21,226,084	$21,249,510	$20,776,315

See Notes to Consolidated Financial Statements

BANGOR AND AROOSTOOK RAILROAD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information Rel ng to March 31, 1969 is Unaudited)

A. Principles of Consolidation:

The consolidated financial statements include the accounts of Bangor and Aroostook Railroad Company and its subsidiary companies, all wholly-owned. The excess of the railroad's equity in the net assets of its subsidiaries as shown by their books over its recorded investment in the subsidiaries and the disposition of this excess in the consolidated financial statements is as follows:

	September 30, 1968	March 31, 1969
Credited to retained income	$1,344,946	$1,216,096
Credited to capital surplus	91,138	91,138
Total excess	$1,436,084	$1,307,234

All material intercompany items have been eliminated in consolidation.

B. Advances to Parent Company:

The indebtedness of the parent company to the railroad and its subsidiaries has been subordinated to bank loans as, required by the terms of the loan agreement, until such loans have been repaid to the lending banks. During 1966, a modification of this agreement was approved by the lending banks pursuant to which the parent was permitted to apply its share (after providing for minority interests) of special dividends declared by the railroad against such subordinated indebtedness. Special dividends so applied in 1966 and 1967 were $443,228, and $443,340, respectively. Special dividends were not paid in 1968. In March 1969, with the approval of the lending banks, the agreement between the parent company and railroad was terminated and the loan was repaid.

C. Property:

A substantial portion of railroad property is subject to lien under the first mortgage indenture or various equipment obligations.

Properties and related accumulated depreciation and amortization are as shown below:

	September 30, 1968		March 31, 1969	
	Properties	Accumulated Depreciation and Amortization	Properties	Amortization Depreciation and Accumulated
Transportation property:				
Road	$32,648,771	$ 3,840,748	$32,767,999	$ 3,963,057
Equipment	53,156,618	20,179,663	53,149,462	20,996,006
Other railroad property	627,157	345,118	749,369	367,760
Total railroad property	86,432,546	24,365,529	86,666,830	25,326,823
Miscellaneous property	2,182,475	857,226	2,196,541	909,169
Total	$88,615,021	$25,222,755	$88,863,371	$26,235,992

The companies' policies with respect to computing depreciation and amortization and the accounting treatment for repairs, maintenance, replacements, additions, betterments and retirements are as follows:

The methods used by the railroad are in accordance with requirements prescribed or authorized by the Interstate Commerce Commission.

The rates of depreciation in effect during the four years ended September 30, 1968 and the six months ended March 31, 1969 were as follows:

	Railroad Company (Straight-line)	Subsidiaries (Straight-line and declining balance)
Equipment	2.78% to 4.89%	
Miscellaneous equipment	10%	
Road property (composite rate)	1.45% to 1.62%	1.50%
Miscellaneous property	1.86% to 10%	1.35% to 33%

BANGOR AND AROOSTOOK RAILROAD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The railroad charges the current cost of renewals of parts of the track structure to maintenance expense, and provision for depreciation is made as to all other classes of transportation property. Additions and betterments are capitalized. Charges for renewals of track structures were $1,170,580, $1,094,337, $1,026,264 and $1,054,862 for the years enued September 30, 1965, 1966, 1967 and 1968, respectively, and $332,087 for the six months ended March 31, 1969.

D. Long-Term Debt:

Interest rates on railroad equipment obligations range from 2¾% to 6¾%. These obligations are payable from fiscal years ending September 30, 1968 through 1983.

First mortgage bonds—$100,000 principal amount of Series A and $25,000 principal amount of Series B bonds are to be retired annually contingent upon Available Income as defined in the mortgage deed. If Available Income is insufficient, retirement obligation is cumulative.

Contingent interest is cumulative on income promissory notes. It is contingent upon Available Net Income, as defined in the loan agreement. Principal is to be prepaid in annual amounts of $114,000 through 1995. If Available Net Income is sufficient, the prepayment obligation is cumulative up to $342,000 principal amount. If dividends (other than stock dividends), stock purchases or redemptions and cash or property distributions exceed $600,000 in any one calendar year, an additional prepayment equal to such excess must be made.

Maturities during each of the five years subsequent to September 30, 1968 and March 31, 1969 are as follows:

	September 30, 1968			March 31, 1969		
	Equipment Obligations	First Mortgage Bonds	Income Promissory Notes	Equipment Obligations	First Mortgage Bonds	Income Promissory Notes
First Year (debt due within one year)	$2,111,916	$125,000	$114,000	$2,285,232	$125,000	$114,000
Second Year	1,981,882	125,000	114,000	2,027,645	125,000	114,000
Third Year	1,744,024	125,000	114,000	1,868,234	125,000	114,000
Fourth Year	1,629,233	125,000	114,000	1,714,179	125,000	114,000
Fifth Year	1,475,178	125,000	114,000	1,664,179	125,000	114,000

Unamortized expense on long-term debt is being amortized over the terms of the related debt.

E. Federal Income Taxes:

For the three years ended September 30, 1968, the railroad and its subsidiaries have been included in the consolidated Federal income tax returns filed by the parent. Provision has not been made for Federal income taxes for 1966 because the parent had a substantial net operating loss carry-over available to offset any Federal income taxes. If the railroad had not been included in the parent's consolidated tax return, provision for Federal income taxes of $687,000 for the year ended September 30, 1966 would have been required, including deferred taxes but without considering available investment tax credits.

The railroad recognizes in its accounts the deferral of Federal income taxes resulting primarily from deductions for amortization and depreciation of property, for purposes of computing Federal income taxes, in excess of the amounts recorded in the accounts. At September 30, 1968, a cumulative amount of such deferrals aggregated $6,555,810. For regulatory purposes, the Interstate Commerce Commission does not recognize a charge for deferred Federal income taxes. Therefore, in those years in which a provision for deferred taxes has been made the railroad reported to the Commission provisions for Federal income taxes which were lower and net income which was correspondingly higher than in its accounts.

Federal income tax returns of the railroad and its subsidiaries have been examined by the Treasury Department through 1963 and all tax liabilities have been settled through that year. The tax returns for fiscal years 1964, 1965 and 1966 are presently being examined by the Internal Revenue Service.

F. Contingent Liabilities and Commitments:

The railroad is contingently liable for a presently undeterminable premium not to exceed $410,580 at September 30, 1968 and March 31, 1969 for service interruption insurance in the event losses for work stoppages are sustained by other railroads holding similar policies.

BANGOR AND AROOSTOOK RAILROAD COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Annual payments under various railroad equipment rental agreements will aggregate approximately $1,181,000 for each of the three years ended September 30, 1969, 1970 and 1971, with lesser amounts thereafter unless renewal agreements are signed for succeeding years.

G. Pension Plan:

The railroad's retirement pension plan applies to all employees who have at least five years service in a capacity exempt from union membership. Prior to 1967, funded costs were determined on an individual basis and each year's costs determined on the "immediate adjustment for gains" basis. Effective January 1, 1967, as a result of the change in the actuarial assumptions and an amendment to the Railroad Retirement Act, future costs are to be determined on the "Level Percent of Payroll Method" with gains and losses being spread over future years. The railroad's contributions to its pension plan, which have been fully expensed for each of the four years ended September 30, 1968, amounted to $145,000, $158,000, $160,000 and $162,000 and $81,000 for six months ended March 31, 1969, to cover at least current costs plus interest and amortization of unfunded prior service costs. At September 30, 1968, the actuarially computed vested benefits for the plan exceeed the pension fund by approximately $895,000.

H. Dividend Restrictions:

The railroad's First Mortgage Deed and Income Promissory Loan Agreements contain restrictions on the payment of cash dividends on common stock and on the reacquisition of its common stock. The principal restriction is based upon the amount of working capital, as defined. At September 30, 1968 and March 31, 1969, the amount of working capital, as defined, did not permit the payment of dividends or acquisition of its common stock.

I. Supplementary Profit and Loss Information:

	Year Ended September 30			Six Months Ended March 31,
	1966	1967	1968	1969
Maintenance and repairs:				
Charged to—				
Transportation and other railroad expenses	$4,924,227	$5,068,815	$5,212,440	$2,875,365
Cost of goods sold	192,110	163,818	116,353	49,731
Selling, general and administrative	4,875	3,977	4,326	1,498
Depreciation and amortization:				
Charged to—				
Transportation and other railroad expenses	2,027,140	2,122,600	2,009,291	996,221
Cost of goods sold	63,524	88,649	87,998	40,345
Selling, general and administrative	57,318	51,208	41,101	18,540
Taxes, other than income taxes:				
Charged to—				
Transportation and other railroad expenses	1,032,188	1,122,643	1,187,498	588,964
Cost of goods sold	12,488	13,706	8,415	3,657
Selling, general and administrative	36,161	47,099	49,513	31,067
Rents (principally of Railroad Rolling Stock)—(No Royalties):				
Charged to—				
Transportation and other railroad expenses	898,401	993,986	1,154,475	603,109
Selling, general and administrative	2,872	2,769	2,156	1,260
Segregation of taxes, other than income taxes:				
Real estate and personal property	$ 225,579	$ 244,799	$ 266,563	$ 137,956
Payroll	688,961	807,372	845,132	418,370
Excise	163,024	128,190	130,431	65,646
Other	3,273	3,087	3,300	1,716
	$1,080,837	$1,183,448	$1,245,426	$ 623,683

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
PIPER AIRCRAFT CORPORATION

We have examined the consolidated balance sheet of Piper Aircraft Corporation and subsidiary at September 30, 1968, the statement of consolidated income for the five years then ended and the statements of consolidated retained earnings and consolidated additional paid in capital for the three years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Piper Aircraft Corporation and subsidiary at September 30, 1968 and the results of their operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG & COMPANY

New York, N. Y.
November 1, 1968

PIPER AIRCRAFT CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 1968 (Audited)	March 31, 1969 (Unaudited)
Current assets:		
Cash and commercial paper	$ 4,500,432	$ 2,363,058
Notes and accounts receivable (less allowances of $615,000 at September 30, 1968, and $627,742 at March 31, 1969)	4,965,458	6,507,947
Inventories, at the lower of cost (first-in, first-out method) or market (Note 2):		
Finished airplanes	5,339,254	8,489,253
Service parts	2,906,265	3,009,130
Work in process	16,593,604	18,926,307
Purchased materials, parts and supplies	7,389,150	7,010,098
	32,228,273	37,434,788
Prepaid expenses	202,331	544,173
Total current assets	41,896,494	46,849,966
Property, plant and equipment, at cost (Note 3):		
Land	778,996	849,996
Buildings	11,797,768	12,807,796
Machinery and equipment	7,927,400	8,722,724
	20,504,164	22,380,516
Less accumulated depreciation	8,441,995	9,088,730
Net property, plant and equipment	12,062,169	13,291,786
Deferred charges and other assets	210,960	125,312
	$54,169,623	$60,267,064

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ —	$ 2,000,000
Accounts payable	4,614,373	6,885,319
Salaries and wages	1,720,668	2,485,471
Federal income tax	1,325,935	510,674
Other taxes	420,611	454,925
Customers' deposits and advance payments	1,017,970	1,035,964
Total current liabilities	9,099,557	13,372,353
5⅞% notes due 1975-1984	10,000,000	10,000,000
Deferred income taxes (Note 3)	—	188,000
Stockholders' equity:		
Preferred stock, par value $5 per share: Authorized—100,000 shares; none issued		
Common stock, par value $1 per share (Note 5): Authorized—5,000,000 shares Issued and outstanding—1,639,600 shares in 1968 and 1,641,890 in 1969	1,639,600	1,641,890
Additional paid-in capital (Note 5)	8,969,004	9,023,613
Retained earnings (Note 6)	24,461,462	26,041,208
Total stockholders' equity	35,070,066	36,706,711
	$54,169,623	$60,267,064

See accompanying notes.

PIPER AIRCRAFT CORPORATION AND SUBSIDIARY

STATEMENTS OF CONSOLIDATED RETAINED EARNINGS

	Year Ended September 30 (Audited)			Six months ended March 31, 1969 (Unaudited)
	1966	1967	1968	
Balance at beginning of period	$17,757,132	$22,189,110	$22,892,961	$24,461,462
Net income for period	6,870,637	2,991,048	3,863,416	2,728,294
	24,627,769	25,180,158	26,756,377	27,189,756
Cash dividends—$1.50, $1.40, $1.40 and $.70 per share	2,438,659	2,287,197	2,294,915	1,148,548
Balance at end of period	$22,189,110	$22,892,961	$24,461,462	$26,041,208

STATEMENTS OF CONSOLIDATED ADDITIONAL PAID-IN CAPITAL

	Year Ended September 30 (Audited)			Six months ended March 31, 1969 (Unaudited)
	1966	1967	1968	
Balance at beginning of period	$ 8,718,457	$ 8,790,581	$ 8,943,624	$ 8,969,004
Excess of proceeds over par value of shares issued on exercise of stock options	69,352	153,043	25,380	54,609
Credit resulting from sale of optioned shares prior to minimum holding period (Note 5)	2,772	—	—	—
Balance at end of period	$ 8,790,581	$ 8,943,624	$ 8,969,004	$ 9,023,613

See accompanying notes.

PIPER AIRCRAFT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information relating to period ended March 31, 1969 is unaudited.)

1. Consolidation

The consolidated statements include the Company's only subsidiary, a wholly-owned Swiss corporation, Piper Aircraft International, S.A. The subsidiary's accounts were translated into U.S. dollars at the rate of exchange in effect at the end of the period, except for capital stock which was translated at the actual rate of exchange on the date of payment. Non-current assets and liabilities were not significant. The net assets of the subsidiary as shown by its books exceed the Company's investment therein by $112,000 at September 30, 1968 and $201,000 at March 31, 1969, which amounts are included in retained earnings in consolidation. All intercompany accounts and transactions were eliminated.

2. Inventories

Inventories used in the computation of cost of sales for the three years and six months ended March 31, 1969 were as follows:

September 30, 1965	$17,715,592
September 30, 1966	$28,871,251
September 30, 1967	$32,048,713
September 30, 1968	$32,228,273
March 31, 1969	$37,434,788

Inventories of purchased materials, parts and supplies are stated at the lower of cost (on the first-in, first-out method) or replacement market. Work in process, service parts and finished airplanes are stated at standards which approximate cost on the first-in, first-out method, reduced, when appropriate, to estimated selling price less selling expenses and a normal margin of profit.

3. Property, plant and equipment and accumulated depreciation

Through September 30, 1968 the provision for depreciation for both financial statement and income tax purposes was computed by the straight-line method for assets acquired prior to January 1, 1954 and for used equipment acquired since that date and by accelerated methods for all other new property, plant and equipment acquired subsequent to 1953. Effective October 1, 1968 the Company changed its method of computing depreciation on assets acquired since 1953 to the straight-line method for financial statement purposes only and commenced providing deferred income taxes for the tax reduction resulting from the excess of tax depreciation over financial statement depreciation.

Commencing in 1962 depreciation has been calculated on the composite account method under which the cost of property, plant and equipment sold or retired is removed from the asset accounts and such cost, less proceeds or salvage, is charged against accumulated depreciation.

The depreciation provision is based on the following estimated useful lives:

Land improvements	20 years
Improvements to leased property	Life of lease
Buildings and building equipment	25 to 40 years
Machinery and equipment	8 years
Tools, jigs and dies	3 years
Office equipment	10 years
Automobiles, trucks, etc.	3⅓ years

Expenditures for additions to plant facilities or which increase the life of the plant are capitalized. Expenditures for maintenance and repairs are charged to income when incurred.

4. Bonus and pension plans

The Company has trusteed and other retirement plans covering substantially all of its employees, under which the costs of benefits are currently funded. The cost of the plans, including amortization of past service costs over 10 years, amounted to $804,000 for 1966, $957,864 for 1967, $1,004,975 for 1968 and $548,052 for the six months ended March 31, 1969. At September 30, 1968 and March 31, 1969, unfunded past service costs approximated $866,392 and $881,349, respectively; the actuarially computed value of vested benefits at both dates was fully provided.

Additional compensation under a bonus plan, based on annual corporate income (as defined), for salaried employees (including officers) amounted to $816,358 in 1966 and $118,537 in the six months ended March 31, 1969. No amounts were payable with respect to 1967 and 1968 under such bonus plan.

PIPER AIRCRAFT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued

(Information relating to period ended March 31, 1969 is unaudited.)

5. Stock option plan

At September 30, 1968 and March 31, 1969 there were reserved under a stock option plan approved by stockholders 43,990 shares and 41,700 shares, respectively, of common stock against which options were outstanding on 9,240 shares and 6,750 shares, respectively. Of the outstanding options, options for 3,040 shares and 2,990 shares, respectively, were then exercisable. Options were granted in 1962 and 1964 at prices not less than 95% of the market price at the date the options were granted and in 1966 and 1968 at 100% of the market price at the date the options were granted. Options become exercisable in installments at each anniversary of the date of grant to the extent of 25% per year, cumulatively, as to options expiring 5 years after date of grant and 20% per year, cumulatively, as to options expiring 10 years after date of grant. Details of options outstanding at September 30, 1968 and March 31, 1969 and options which became exercisable or were exercised during the three years and six months ended March 31, 1969 are as follows:

	Number of Shares	Option Price		Market Price	
		Per Share	Total	Per Share	Total
September 30, 1968					
Shares subject to option by fiscal year granted:				At dates of grant	
1962	450	$14.55	$ 6,548	$15.30	$ 6,885
1964	1,590	23.90	38,001	25.14	39,973
1966	3,100	49.75	154,225	49.75	154,225
1968	4,100	48.60	199,260	48.60	199,260
	9,240		$398,034		$400,343
March 31, 1969					
Shares subject to option by fiscal year granted:					
1966	2,725	$49.75	$135,569	$49.75	$135,569
1968	4,025	48.60	195,615	48.60	195,615
	6,750		$331,184		$331,184
Options which became exercisable during fiscal period				At dates options became exercisable	
1966	8,933	$14.55 23.90	$144,016	$50.56 60.19	$533,324
1967	5,570	14.55 49.75	118,691	37.94 52.12	270,750
1968	1,275	23.90 49.75	51,799	46.56	59,364
March 31, 1969	2,250	23.90 49.75	99,126	52.00 52.38	117,626
Options exercised during fiscal period				At dates options were exercised	
1966	5,020	$14.55 23.90	$ 74,372	$43.00 67.50	$261,490
1967	10,300	14.55 23.90	163,343	37.94 54.19	521,403
1968	1,250	14.55 49.75	26,630	46.37 69.25	65,662
March 31, 1969	2,290	14.55 49.75	56,900	52.94 69.50	156,768

Options for 200 shares were cancelled during the six months ended March 31, 1969. Upon exercise of the options, the proceeds are credited to common stock, to the extent of par value, and additional paid-in capital. No charges were made against income in accounting for the options except in the case of shares sold in the year ended September 30, 1966 prior to the minimum holding period which resulted in a charge of $2,772 to compensation and a like credit to additional paid-in capital.

PIPER AIRCRAFT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—Continued

(Information relating to period ended March 31, 1969 is unaudited.)

6. Retained earnings

Under the March 17, 1967 agreement relating to the 5⅞% notes due 1975-1984, the aggregate of cash dividends (and certain other defined payments) after September 30, 1966 may not exceed consolidated net income (as defined) since that date by more than $4,000,000; approximately $6,200,000 and $7,852,000 of retained earnings at September 30, 1968 and March 31, 1969, respectively, was not so restricted.

7. Foreign operations

Sales to distributors and dealers located outside the United States accounted for approximately 25% of 1968 and 1969 sales. At September 30, 1968 and March 31, 1969, $3,700,000 and $3,900,000 of accounts and notes receivable were due from such customers. Inventories outside the United States (principally in Switzerland) approximated $1,650,000 and $2,080,000 at September 30, 1968 and March 31, 1969, respectively.

8. Litigation

In April 1969 the Company entered into an agreement in settlement of litigation instituted by Jonas Aircraft & Arms Company in 1964. Provision for this settlement, amounting to $155,000 after considering the effect of applicable income taxes, has been made in April, 1969 and is not reflected in these financial statements.

Reference is made to "Information Concerning Piper—Litigation and Insurance" and to "The Exchange Offers—Certain Other Aspects of the Exchange Offers" for information concerning pending litigation.

9. Supplementary expense information

	Year ended September 30,			Six Months ended March 31,
	1966	1967	1968	1969
Maintenance and repairs:				
Charged to cost of sales	$915,838	$ 914,670	$1,118,634	$609,905
Charged to other	24,553	31,221	24,140	16,030
	$940,391	$ 945,891	$1,142,774	$625,935
Depreciation:				
Charged to cost of sales	$846,538	$1,464,671	$1,574,218	$603,565
Charged to other	88,295	97,628	112,928	46,266
	$934,833	$1,562,299	$1,687,146	$649,831
Taxes (other than taxes on income):				
Payroll:				
Charged to cost of sales	$784,009	$1,176,823	$1,223,129	$814,296
Charged to other	83,025	107,178	119,871	73,406
	867,034	1,284,001	1,343,000	887,702
Property taxes, charged to cost of sales	108,111	72,428	168,655	65,184
Other taxes, charged to other	17,673	12,439	27,744	498
	$992,818	$1,368,868	$1,539,399	$953,384
Rents:				
Charged to cost of sales	$ 97,010	$ 126,581	$ 236,372	$132,021
Charged to other	30,803	28,896	54,988	27,942
	$127,813	$ 155,477	$ 291,360	$159,963

Service contract fees and royalties paid were not significant and there were no management fees paid.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 31.

(b) Exhibits

6. —Opinion of John E. Flick, Esq., Senior Vice President, General Counsel and Secretary of Bangor Punta as to the legality of the securities being registered.

REQUEST FOR ACCELERATION

The Registrant hereby requests that the effective date of this registration statement be accelerated so that it may become effective on July 18, 1969 or as soon thereafter as practicable.

UNDERTAKING

Subject to the terms and conditions of Section 15(d) of the Securities Exchange Act of 1934, the undersigned registrant hereby undertakes to file with the Securities and Exchange Commission such supplementary and periodic information, documents and reports as may be prescribed by any rule or regulation of the Commission heretofore or hereafter duly adopted pursuant to authority conferred in that section.

The undersigned registrant undertakes to deregister any securities remaining unsold upon expiration of the Exchange Offer.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on the 17th day of July, 1969.

BANGOR PUNTA CORPORATION

By JOHN E. FLICK
(JOHN E. FLICK,
Senior Vice President and General Counsel)

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the date indicated.

Signature	Title	Date
NICOLAS M. SALGO*	Chairman of the Board of Directors	
W. GORDON ROBERTSON*	Co-Chairman of the Board of Directors, Chairman of the Executive Committee, Director	
DAVID W. WALLACE*	President and Chief Executive Officer, Director	
WILLIAM C. DOUGLAS*	Honorary Chairman of the Board of Directors	
JOHN E. FLICK (JOHN E. FLICK)	Senior Vice President, General Counsel, Secretary, Director	July 17, 1969
W. JEROME STROUT*	Vice President, Director	
HARRY S. BAKER*	Director	
JAMES S. GARVEY*	Director	
WILLIAM E. HILL*	Director	
CURTIS M. HUTCHINS*	Director	
GEORGE S. JONES*	Director	
FREDERICK H. KINGSBURY, JR.*	Director	
SCOTT K. LOWRY*	Director	
WALTER B. MCKINNEY*	Director	
GEORGE H. SEAL*	Director	
ROBERT G. STONE*	Director	
JAMES G. TREMAINE*	Director	
HARRY C. WOOD*	Director	
STEPHEN GALLE*	Senior Vice President (Principal financial officer)	
ROBERT T. LAWRENCE*	Chief Accounting Officer	

*By JOHN E. FLICK
(JOHN E. FLICK, *Attorney-in-fact*) July 17, 1969

CONSENT OF AEROSPACE INDUSTRIES ASSOCIATION

We hereby consent to the reference to estimated industry sales published by us and the use of our name in connection therewith under the caption "Information Concerning Piper—Competition" in the Prospectus constituting part of the Registration Statement on Form S-1 (File No. 2-33263) of Bangor Punta Corporation.

AEROSPACE INDUSTRIES ASSOCIATION

By S. L. WRIGHT
Secretary

Washington, D. C.
July 3, 1969

LAINTIFF'S

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.
MAY 9 1971
28

124

RICT COURT

IA

FILED
MAY 26 1969
ROBERT M. STEARNS, CLERK

SECURITIES AND EXCHANGE COMMISSION Plaintiff, v. BANGOR PUNTA CORPORATION, PIPER AIRCRAFT CORPORATION, Defendants.	:	CIVIL ACTION FILE NO. 1388-69 JUDGMENT FOR PERMANENT INJUNCTION

It appearing to the Court that the defendants, Bangor Punta Corporation and Piper Aircraft Corporation have by written stipulation between Plaintiff and defendants consented to the entry of a Final Judgment of Permanent Injunction conformable to the demands of plaintiff's complaint filed herein but without admitting the allegations in said complaint;

It further appearing to the Court that pursuant to said stipulation the defendants have acknowledged receipt of copies of the complaint filed herein, waived service of summons and admitted the jurisdiction of this Court over said defendants and over the subject matter of this action and that plaintiff and defendants have waived entry of finds of fact and conclusions of law under Rule 52 of the Federal Rules of Civil Procedure, it is hereby:

I

ORDERED that the defendants, Bangor Punta Corporation, Piper Aircraft Corporation, their respective officers, directors, agents, employees, assigns, and persons or entitities having a control relationship with either of said defendants and any other person acting

in concert or participation with them, and each of them, are hereby permanently enjoined from directly or indirectly, (in the absence of an applicable exemption) making use of, aiding or abetting in the use of, or causing to be used any of the means or instruments of transportation or communication in interstate commerce or of the mails:

a. to offer and sell securities issued or to be issued, of defendants Bangor [illegible]poration and Piper Aircraft Corporation, [illegible] subsidiaries, affiliates or successors or any other securities through the use or medium of any prospectus, or otherwise, unless or until a registration statement has been filed with the Securities and Exchange Commission as to such securities.

b. to offer to sell through the use or medium of any prospectus or otherwise, securities issued or to be issued, of deferdants Bangor Punta Corporation and Piper Aircraft Corporation, their subsidiaries, affiliates or successors or any other securities unless and until a registration statement has been filed with the Securities and Exchange Commission as to such securities, or while a registration statement filed with the Securities and Exchange Commission is the subject of a refusal order or stop order issued by the Securities and Exchange Commission, or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act of 1933. (15 U.S.C. Section 77h).

c. to carry securities of defendants Bangor Punta Corporation and Piper Aircraft Corporation, its subsidiaries or successors or any other securities or cause to be carried said securities for the purpose of sale, or delivery after sale, unless and until a registration statement is in effect with the Securities and Exchange Commission as to such securities.

II

ORDERED that defendant, Bangor Punta Corporation, file within 10 days from the date this order is entered or at such other time as the parties herein may agree to with the approval of this Court, a registration statement with the Commission covering the securities described in the May 8, 1969 statement quoted in paragraph 10 of the complaint filed in this matter, a copy of which is annexed hereto. Should said defendant elect not to file a registration statement within the time so specified by the Court, defendant, Bangor Punta Corporation, is ORDERED to issue a statement stating that the offering described in the May 8th statement has been discontinued or will not be made.

III

ORDERED that said defendants cannot announce or implement any exchange offer unless and until such announcement of said exchange offer and the exchange offer comply with the registration provisions of the Federal securities laws.

NOTHING HEREIN shall prevent the defendant, Bangor Punta Corporation, from acquiring securities of Piper Aircraft Corporation other than through a registered exchange offer, so long as such

acquisitions comply with all applicable provisions of the Federal securities laws and provided that the Securities and Exchange Commission has received prior notice thereof.

/s/ Howard F. Corcoran
UNITED STATES DISTRICT COURT JUDGE

Washington, D.C.
May 26, 1969

JUDGMENT ENTERED

CLERK

A TRUE COPY
12-31-70
JAMES F. DAVEY, Clerk,
By Margaret Whitacre
Deputy Clerk

PLAINTIFF'S EXHIBIT 35

THE VALUE LINE
MERGER EVALUATION SERVICE

Also Covering Acquisitions, Tender and Exchange Offers

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THE VALUE LINE BUILDING ■ 5 East 44th Street, New York, New York 10017 ■ Telephone: 212 MUrray Hill 7-3965

VOL. 2 NO. 6 JUNE 2, 1969

16 MOST ATTRACTIVE MERGERS

IF THIS SURVIVING COMPANY	SUCCESSFULLY ACQUIRES THIS COMPANY	STOCKHOLDERS OF THE COMPANY TO BE ACQUIRED MAY BENEFIT FROM:		
		A PRICE ADVANTAGE OF	A CHANGE IN YIELD Pre-Merger	Post-Merger
Crane Company, 53⅛	CF&I Steel, 27⅜	16.4%	2.9%	7.7%
Diamond Int'l, 57¾	U.S. Playing Card, 50¾	13.8	3.2	3.5
Entron, Inc., 5½	Spedcor Electronics, 11⅛	48.2	Nil	Nil
First National City Corp., 70	Chubb, 56½	26.1	3.2	5.3
Gould-National, 50½	Clevite, 89	12.3	2.4	2.6
Int'l Tel. & Tel., 54	Grinnell, 137	24.2	1.5	4.3
Int'l Tel. & Tel., 54	Hartford Fire Ins., 42½	60.0	3.3	5.3
o Investors Funding, 39⅜	Congressional Life, 12	41.7	Nil	Nil
North American Rockwell, 35¾	Miehle-Goss-Dexter, 30⅝	15.9	2.0	4.4
o Northwest Industries, 78	Chi., Milw., St. Paul & Pac., 45⅞	74.4	Nil	8.9
o Nytronics, 28⅞	Eastern Air Devices, 24¼	27.4	Nil	1.6
o Pittsburgh Nat'l, 73	Kissell, 12⅞	35.9		
U.S. Smelting, 51⅛	Federal Pacific Electric, 28	21.4	Nil	Nil
o USLIFE, 31¼	Northwestern Co., 32	30.2	Nil	2.1
o Victor Comptometer, 54¾	Gabriel Ind., 26¼	22.3	Nil	2.3
o Wilshire Oil, 14¾	Trust Co. of N.J., 28	31.7	1.5	Nil

o New Additions to list of Most Attractive Mergers

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Centerfold

Statistical Analysis and Evaluation of 90 Mergers

WARRANT MYTH EXPLODED

This issue describes the first proposed merger in which a company is being acquired solely for warrants. No bonds, no preferred stock, no common stock, no cash — only one 5-year warrant of the surviving company is to be exchanged for one share of common stock of the company to be acquired. (See Investors Funding Corp. -- Congressional Life, page 4.)

If the deal works out it will mark the end of an age of innocence on Wall Street by fully recognizing warrants as legitimate corporate securities. The end of the warrant myth may be at hand.

THE SWEETENER MYTH

Financial literature and lore have for decades referred to warrants and other common stock privileges as "sweeteners" or "kickers". These terms conveyed the impression to purchasers of investment securities that warrants were akin to gifts or gratuities; these terms might have been euphomisms for a special bonus to induce restricted lenders to accept debt instruments with inadequate interest coupons or with questionable security.

Stock options have always been securities in their own right with rather predictable and marketable values. They represent an important component of a company's capitalization — closely resembling a form of junior common stock interest.

Warrants differ from common stock since they do not share in cash dividend distributions and do not vote, but they do participate indirectly in the most important feature of common stocks — capital gain (and loss) potential. And since many investors have little or no interest in the cash dividends or voting rights of a stock, the warrant is the undiluted capital gain vehicle which best serves their primary purpose.

Thus a merger in which warrants are the only securities exchanged by the

surviving company is a logical transaction. Were the acquiring company offering a choice of either a ¼ share of common stock with a market value of $40 a share ($10 value) or a 5-year warrant to buy one full share at $40 ($15 estimated value), the warrant choice is unquestionably the better one, tax consequences not considered. The investor who desires to own common stock immediately can immediately sell his warrants and buy about ⅜ share of stock with the proceeds.

In this example we see that the warrant is not a mere sweetener but a full-fledged alternate security which can give the holder greater potential to obtain more of what he ultimately desires from the stock market — capital gains.

LINGERING BIAS: WHEN IS TRADING IN RIGHTS WRONG?

There remain some old prejudices against warrants, specifically by the New York Stock Exchange.

Long term warrants were once listed and traded on the Big Board, but have not been since 1923. The NYSE considers warrants in the same general category as "puts and calls" and finds them too speculative and subject to wide price fluctuations including the possibility of becoming worthless at expiration.

The NYSE policy of refusing to list any warrant may not be fully justified or consistent with other rules of the exchange. It permits trading in short-term subscription warrants that are far more volatile and risky than longer options, and it permits the trading of convertible bonds which are, in effect, bonds with undetachable warrants

The Exchange appears to be most concerned with protecting less sophisticated members of the investing public who might be encouraged to speculate with warrants rather than investing in common stock. This position carries a tenuous argument. Since most NYSE members are also members of the American Stock Exchange and other exchanges on which warrants are traded and also deal over-the-counter, the lack of big board listing does not prevent member firms from taking and executing customers' warrant orders.

The patronizing attitude by the New York Stock Exchange has had some devastating results. If its policy is to encourage particularly conservative investment, such as fixed income preferred stocks and bonds favored for pension funds, widows and orphans, it may be doing irreparable damage to the very people that need real protection from inflation, rising prices, and loss of purchasing power—protection best obtained historically by investment with reasonable diversity in equities. What saved many investors from disaster in fixed income securities in the last 5 years was the conversion privilege or warrant attached to the senior securities.

In retrospect, a "balanced" portfolio of approximately 70% high-grade bonds and 30% warrants would have outperformed virtually any common stock or preferred stock portfolio from 1929-33, when the average "blue-chip" issues declined 82%. Although non-perpetual warrants would have become worthless, the loss, if any, on the bonds would have been very low, while in a rising equity market the warrants extra leverage would produce capital gains possibly comparable to a common stock portfolio.

The best solution to the NYSE's dilemma might be to permit the listing of selected warrants and bonds with warrants attached, and the inclusion of warrant information in the Exchange's educational program to sophisticate the investing public.

WHAT NEXT? WARRANTHOLDERS' RIGHTS

The current trend is definitely towards a greater use of warrants in mergers and other corporate financial situations. The recently popular device of the warrant distribution to shareholders in lieu of cash or stock dividends is appealing and makes the subsequent use of the warrants in mergers more efficient once a trading market for them has been established. We offer one suggestion to managements who use warrants in mergers: treat warrantholders with a little more consideration by sending them copies of the interim and annual reports, proxy statements and invite them to attend, though not vote, at the annual meeting. Let them also keep track of their "investment" in your company as "junior common shareholders." □

THE VALUE LINE MERGER EVALUATION SERVICE

Editor and Research Director: Arnold Bernhard
Executive Editors: Julius Spellman, William Schwartz
Assistant Editor: Robert E. Brown
Analyst: Mia Yamaoka

The Value Line Merger Evaluation Service is designed for the investor-speculator who is willing and able to measure the advantages of participating in common stock by way of mergers. It can be used in any market climate and is most helpful when utilized in conjunction with The Value Line Investment Survey and The Value Line OTC Special Situations Service, also published by Arnold Bernhard and Co., Inc.

The Value Line Merger Evaluation Service is published on the first Monday of each month. Subscription Rate: $48 per year. *The contents are protected by Copyright 1969. Rights of reproduction and distribution are reserved for those with express permission, in writing, from the publishers.* *Factual material is not guaranteed but is obtained from sources believed to be reliable.*

OF SPECIAL INTEREST

American Metal Climax — Ayrshire Collieries

American Metal Climax (AMX, NYSE, 51¾) has signed a preliminary merger agreement with Ayrshire Collieries (APK, ASE, 83) calling for the issuance of one share of a new $4 AMX convertible preferred in exchange for each APK share. The new preferred will have a $5.25 dividend rate after December 1, 1971 and will be non-callable for 7 years, after which the initial redemption price will be 105, declining annually thereafter until reaching its liquidation value of 100. There is no Sinking Fund. Application will be made for listing on the New York Stock Exchange.

The conversion rate will be determined by taking the average price of AMX from April 23 to May 31, adding 20%, and dividing into $100. However, the conversion rate will not be less than 1.5 shares nor more than 1.67 shares. This means that so long as the average price of AMX is between 50 and 55½ during the period, the preferred will have a conversion value of $83.33, assuming AMX is then selling at its average price. Since the average price so far is just under 52, for a conversion rate of approximately 1.62, we would expect our estimate to be very close to the eventual figure. The conversion privilege will be fully protected against dilution.

We have valued the new preferred at a small 5% premium over its conversion value, due to the likelihood of considerable selling pressure upon completion of the merger. Its improved

Continued on page 6

NEW MERGERS

Arcata National —
Atlantic Microfilm Corp.

Chris-Craft —
Piper Aircraft

Columbia Gas Systems —
National Gas & Oil

Continental Investment —
Waddell & Reed

Foremost-McKesson —
"21" Brands

General Mills —
David Crystal

International Chemical & Nuclear —
Monterey Nursing Inns

International Industries —
Fabric Mart

Investors Funding Corp. —
Congressional Life

National Cash Register —
Combined Paper Mills

Northwest Industries —
Chicago Milwaukee

Old Town Corp. —
Exchange Offer

Peter Paul —
Helme Products

Philip Morris —
Canadian Breweries

Pittsburgh National Corp. —
Kissell Co.

USLIFE Corp. —
Northwestern Co.

Victor Comptometer —
Gabriel Industries

Warnaco, Inc. —
Gus Mayer Stores

Wilshire Oil Co. —
Trust Co. of N.J.

OF SPECIAL INTEREST

Continued from page 2

dividend, particularly after 1971, plus its long call protection may eventually assist the security and bring it to a higher premium level.

Chris-Craft Industries —
Bangor Punta —
Piper Aircraft

Chris-Craft Industries (CCN, NYSE, 21 ½), which already owns 27% of Piper Aircraft (PPA, NYSE, 77) has improved its offer to one share of a new CCN $2 preferred, convertible into 2.4 shares of common, $10 in cash, and two 5-year warrants to buy common at $25 per share. We value the package at $77, based on the convertible preferred trading at 53, for a nominal 3% permium over its conversion value, and the warrant at 7, for a 32.6% premium. The offer is for up to 300,000 shares, with a minimum requirement of 80,000; CCN may take, at its option, up to 100,000 additional shares.

Bangor Punta Corporation (BNK, NYSE, 33 ¼) claims ownership of 37% of Piper through private purchases from the Piper family and is required to make an exchange offer worth at least $80 per share. Investors who wish to wait for the BNK offer may realize an additional 4%, or more if the offer turn out to be worth more than $80.

The bidding has progressed well beyond Piper's 50-65 trading range and has run this equity up to 26 times estimated 1969 earnings. There does not seem to be enough left in Piper to warrant further speculation: profits may be taken at this level and reinvested in another situation, rather than holding for the last dollar.

International Controls —
Electronic Specialty

International Controls (INC, ASE, 17⅝) has sweetened the terms of its proposed acquisition of Electronic Specialty (ELS, NYSE, 17 ½). Each share of ELS will be exchanged for 0.7 share of INC plus warrants to purchase INC common. Each warrant will be the right to purchase 1 share of INC common at a price equal to 110% of the average closing price of INC during the 20 trading days preceding the ELS shareholding meeting, or the closing price on the preceding day, whichever is greater. The exercise price increases 30% on 1-1-71 and 20% on 1-1-73. The warrant expires on 12-31-74. The number of such warrants in the package is determined as follows: Take the maximum of $20 and 110% of the price of INC common ($20.00), subtract the market value of 0.7 share of INC ($12.34). Divide the difference ($7.66) by 38% of the market price of INC ($6.70). The quotient (1.14) is the number of warrants in the package, subject to a minimum of 0.6 and a maximum of 1.5.

Note that the formula assures a minimum value of $20 only if the warrants sell at a 38% premium. A 34% premium, which we believe is more likely, would produce a warrant price of 6 and a value of $19.18 for the package. We view the resulting 9.6% price advantage as too small to justify purchase of ELS in order to participate in the merger.

MERGERS AND EXCHANGE OFFERS CALLED OFF

Commonwealth United —
Perfect Film

Cooper Industries —
Dallas Airmotive

Electronic Data Systems —
Collins Radio

Financial Federation —
Sterling Savings & Loan

Grace (W.R.) —
National Shoes

Liberty Corp. —
South Carolina Nat'l Bank

MDS-Photon —
Mohawk Data Sciences
Photon

Phillips Petroleum —
Amerada Petroleum

Standard Oil (Indiana) —
Cerro Corp.

Universal Oil Products —
Baltimore Aircoil

JUL 4 1969

N Y -DJ- TWO DIRECTORS OF BOTH PIPER AIRCRAFT CORP AND CHRIS-CRAFT INDUSTRIES INC SENT A LETTER TO ALL PIPER SHAREHOLDERS ALLEGING A PRIVATE AGREEMENT EXISTS BETWEEN W T PIPER JR PIPER CHAIRMAN AND PRESIDENT AND BANGOR PUNTA CORP - THE AGREEMENT ALLEGEDLY PROVIDES THE PIPER FAMILY WITH A -LUCRATIVE PERSONAL FINANCIAL INCENTIVE- FOR PROMOTING THE OFFER OF BANGOR PUNTA OVER THAT OF CHRIS-CRAFT FOR PIPER-S OUTSTANDING SHARES

BOTH BANGOR PUNTA A DIVERSIFIED PRODUCER OF BOATS LAW ENFORCEMENT EQUIPMENT AND RECREATIONAL VEHICLES AND CHRIS-CRAFT HAVING OUTSTANDING TENDER OFFERS FOR PIPER STOCK - AS OF MAY 19 CHRIS-CRAFT SAID IT OWNED 556 206 PIPER SHARES OR 33 9-10 PC OF THE SHARES OUTSTANDING - BANGOR PUNTA HAS SAID IT OWNS 37 PC OF PIPER STOCK

- - 4 57 PM EDT

N Y -DJ- JAMES J ROCHLIS AND C LEONARD GORDON AUTHORS OF THE SHAREHOLDER LETTER STATE THAT -UNDER THE TERMS OF THE PRIVATE AGREEMENT DATED MAY 8 1969 IF BANGOR PUNTA SUCCEEDS IN ACQUIRING MORE THAN 50 PC OF THE STOCK OF PIPER MR PIPER AND HIS FAMILY WILL BE ENTITLED TO AN ADDITIONAL CONSIDERATION FOR THEIR OWN STOCK OF MORE THAN 10 MILLION DLS- IN BANGOR PUNTA STOCK -COMPUTED ON THE BASIS OF CURRENT MARKET PRICES-

THE LETTER SAYS A JUNE 20 SHAREHOLDER LETTER WRITTEN BY MR PIPER TO PIPER SHAREHOLDERS URGING THEM TO REJECT TO CHRIS-CRAFT OFFER -FAILS TO DISCLOSE- THE ALLEGED AGREEMENT

IN PITTSBURGH A PIPER AIRCRAFT SPOKESMAN DENIED ANY IMPLICATION OF WRONG DOING IN THE MAY 8 AGREEMENT - HE SAID THAT AGREEMENT -THOROUGHLY SPELLED OUT IN THE PRELIMINARY PROSPECTUS- PROVIDED PROTECTION FOR THE PIPER FAMILY IF THE MARKET VALUE OF THE SECURITIES THEY ARE TO RECEIVE IS LESS THAN THE SECURITIES TO BE OFFERED TO OTHER PIPER SHAREHOLDERS

THE GENERAL EXCHANGE OFFER IS VALUED AT 80 DLS A SHARE - THE SPECIFIC ARRANGEMENT BETWEEN THE PIPER FAMILY AND BANGOR-PUNTA WAS WORTH LESS THAN 80 DLS A SHARE AT THE TIME IT WAS CONCLUDED AND IS WORTH EVEN LESS NOW ON THE BASIS OF CURRENT MARKET VALUES THE PIPER SPOKESMAN SAID - HE STRESSED THAT ALL TERMS OF THE PIPER FAMILY-S AGREEMENT WERE MADE PUBLVA T EP PM EDT

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.

PLAINTIFF'S EXHIBIT 41

WILLIAM T. PIPER JR.--pres piper

JUL 16 1969

we do have an agreement with bangor to option our stock to bangor.
we get a package of securities.
i this strictly a contract between bangor-punta and the family.

until whole exchange offer becomes approved, details of any agreements we have wouldn't be made available.

BOB DEMING--nye atty for piper

that is one of the provisions of the agreement on may 8.
all thoroughly spelled out in the prospectus.
will be in the final prospectus.
i think all piper shareholders are aware of it.
10 millions dis is something that rapps. their arithmetic.
may 8 agreement said piper family would receive
certain securities. if b-p gets more than
the agreement provide piper family agreed to exchange to b-p for
specified b-p securities.
further said b-p and make exchange offer to shareholders
securities and/or cash with value of $80 a share.
purely as protective provision, if when you get 55 pc,
the sec you gave us didn't at time measure up to 80 dls you gave them,
you'll make it up.
the proposed package to be offered to shareholders is more
attractive than the package the piper family contracted for.
it's not a sweetheart deal. it's quite the opposite.
at the time, the piperpackage was worth less than 80 dls. even
less now.
worth not over 65 dls.

assume they're taking current market values

this has been no secret since may 29.

bangor registration of may 29.

there's no hidden deal. there never has been

S. D. of N. Y.
MAR 12 1971

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PLAINTIFF'S EXHIBIT 42

PIPER AIRCRAFT SAYS IT IS NOT INTERESTED IN CHRIS-CRAFT OFFER

Jan 27, 69

LOCKHAVEN PA -DJ- WILLIAM T PIPER JR PRESIDENT OF PIPER AIRCRAFT CO SAID -WE HAVE NO INTEREST AT ALL- IN THE TENDER OFFER FOR PIPER STOCK BEING CONSIDERED BY CHRIS-CRAFT INDUSTRIES

-WE ARE NOT INTERESTED IN ANY MERGERS OR CHANGES OR ASSOCIATIONS OR ANYTHING LIKE THIS- PIPER SAID

HE SAID CHRIS-CRAFT TOLD HIM THIS MORNING THAT THERE WOULD BE AN OFFER BUT HE DID NOT KNOW ITS VALUE

THE PIPER FAMILY OWNS ABOUT 35 PC OF THE PLANE MANUFACTURER-S STOCK

FOUR OR FIVE MUTUAL FUNDS HOLD ABOUT 15 PC OF THE STOCK WITH THE REST WIDELY HELD PIPER SAID

-0- 11 24 AM EST

CHRIS-CRAFT

Jan 27 '69

N Y -DJ- CHRIS-CRAFT INDUSTRIES INC IS CONSIDERING MAKING A TENDER OFFER FOR STOCK OF PIPER AIRCRAFT CORP IT WAS LEARNED - A CHRIS-CRAFT OFFICIAL CONFIRMED THE REPORT AND SAID IT WOULD BE A CASH OFFER

- -

-CHRIS CRAFT TERMS FOR PIPER OFFER

N Y -DJ- CHRIS-CRAFT INDUSTRIES INC SAID IT IS OFFERING BEGINNING IMMEDIATELY TO ALL SHAREHOLDERS OF PIPER AIRCRAFT CORP TO PURCHASE UP TO 300 000 SHARES OF PIPER COMMON STOCK AT 65 DLS PER SHR

CHRIS-CRAFT STATED THAT IT ALREADY OWNS 200 500 SHARES OF PIPER AMOUNTING TO APPROX IMATELY 12 1-2 PC OF THE 1 640 000 SHRS OF PIPE STOCK OUTSTANDING

- -

-SUNDSTRAND-STANDARD KOLLSMAN MERGER CALLED OFF

- -

CHRIS-CRAFT TERMS -2-

THE CHRIS-CRAFT OFFER WILL EXPIRE AT 12 NOON -EST- FEB 3 - IF 300 000 SHARES OR LESS ARE TENDERED CHRIS-CRAFT WILL BUY THEM ALL - IF MORE THAN 300 000 SHARES ARE SO TENDERED CHRIS-CRAFT MAY AT ITS OPTION PURCHASE ALL OR ANY PART OF THE EXCESS - IF MORE THAN 300 000 SHRS ARE TENDERED AND CHRIS-CRAFT PURCHASES LESS THAN ALL THE SHRS TENDERED ALL SHRS PURCHASED WILL BE PURCHASED PRO RATA

- -

CHRIS-CRAFT TERMS -4-

N Y -DJ- CHRIS-CRAFT SAID IN DECEMBER CHRIS-CRAFT OBTAINED APPROXIMATELY 25 500 000 DLS FROM A PUBLIC UNDERWRITTEN SUBSCRIPTION OFFERING OF ITS 6 PC CONVERTIBLE SUBORDINATED DEBENTURES DUE 1989 - TO THE EXTEND ADDITIONAL FUNDS ARE REQUIRED CHRIS-CRAFT PROPOSES TO BORROW FROM BANKS ON A SHORT-TERM BASIS - ARRANGEMENTS FOR SUCH BORROWINGS HAVE NOT YET BEEN MADE THE COMPANY SAID

CHRIS-CRAFT SAID IT IS PURCHASING THE PIPER SHARES FOR INVESTMENT WITH A VIEW TO CONTROL OF PIPER BUT IT DOES NOT PRESENTLY HAVE ANY SPECIFIC PLAN OR PROPOSAL TO LIQUIDATE PIPER TO ACQUIRE CONTROL OF PIPER TO SELL ITS ASSETS OR TO MERGE WITH ANY OTHER COMPANIES OR TO MAKE ANY OTHER MAJOR CHANGES IN ITS BUSINESS OR CORPORATION STRUCTURE - IF THIS OFFER IS SUCCESSFULLY COMPLETED CHRIS-CRAFT WILL GIVE CONSIDERATION TO SOMS FORM OF COMBINATION BETWEEN IT AND PIPER CHRIS-CRAFT SAID

-0-12 04 PM EST

CHRIS-CRAFT TERMS -5-

N Y -DJ- CHRIS-CRAFT CORRECTED AN EARLIER ANNOUNCEMENT AND SAID FUNDS REQUIRED TO PURCHASE SHARES OF PIPER COMMON STOCK TENDERED PURSUANT TO ITS OFFER ARE ESTIMATED TO BE 19 800 000 DLS IF 300 000 SHARES ARE PURCHASED INSTEAD OF 29 800 000 AS ANNOUNCED EARLIER

-0-

PLAINTIFF'S

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.

43 ac.

pidew fr -- they have called and said they would put out tenders for our stock -- we have no interest in it at all -- ~~we~~ -- we are opposed to it ---- they didn't say on what offer -- we're not interested in any mergers or changes or associations or anything like this. period.

when next -

what about 12 sc ?

- hat in their hair - veins sheet music -

2:00 p - Charles Poole treasurer

PLAINTIFF'S EXHIBIT 44

Mr. Wallace advised the Executive Committee that there have been conversations during the past several days with Mr. John Laeri of The First Boston Corporation, investment banker for Piper Aircraft Corporation, as well as with members of the Piper family and management concerning the possibility of Piper Aircraft Corporation joining Bangor Punta. He stated that there had been prior conversations with these people about two or three months ago, but that there had been no specific proposals at that time. Mr. Wallace stated that Messrs. Salgo, Robertson and he have been interested in acquiring a light aircraft company for some time. Mr. Wallace advised the Committee that, at the present time, Chris-Craft Industries, Inc. owns approximately 35% of the Piper Aircraft stock and has two members on its Board of Directors. Mr. Wallace also pointed out that there are approximately 1,641,000 shares of Piper Aircraft stock outstanding. The Piper family has over 500,000 shares which they would be willing to place in escrow in the event that Bangor Punta and Piper Aircraft could reach an agreement regarding the acquisition of Piper Aircraft Corporation by Bangor Punta. Mr. Wallace further pointed out that the existing information indicates that about 104,000 shares of Piper Aircraft are being held by several funds on behalf of Chris-Craft Industries, Inc. He stated that at this time, he did not know whether this stock could be acquired.

The Executive Committee was also advised that the anticipated earnings for Piper Aircraft Corporation during Fiscal Year 1969 will be approximately $3.00 per share.

Mr. Wallace pointed out that we are considering the possibility of making a cash offer for an additional 250,000 shares, although an offering of securities is also being considered. The package of securities being considered in an exchange offer would consist of $15 in value of a Convertible Debenture, $25 value in Warrants, and $40 value in Common Stock. However, he stated that this package is still being considered and is subject to revision.

Mr. Wallace further advised the Executive Committee that he had contacted John Hancock Mutual Life Insurance Company and they agreed that this would be a "permitted acquisition" under the $20,000,000. loan.

In response to a question from a member of the Executive Committee, Mr. Wallace stated that the current plan for gaining 51% of the stock of Piper Aircraft Corporation would neither dilute nor increase our earnings per share. However, Mr. Wallace pointed out that no package of securities had been yet agreed to by either The First Boston Corporation or the Piper family.

The members of the Executive Committee discussed in considerable detail the ramifications of the proposal and agreed that the management of Bangor Punta should continue its negotiations with the representatives of Piper Aircraft Corporation and The First Boston Corporation in an effort to work out an acceptable package.

ADJOURNMENT

There being no further business to come before the meeting, the same, upon motion, was duly adjourned at 11:20 A.M.

John E. Flick

JOHN E. FLICK, Secretary

PLAINTIFF'S
EXHIBIT
U. S. Dist. Court
S. D. of N. Y.
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MAR 12 1971

R PUNTA OPERATIONS, INC.

ECIAL MEETING OF THE

BOARD OF DIRECTORS

New York, New York
September 22, 1969

A special meeting of the Board of Directors of Bangor Punta Operations, Inc. was held on this date at the offices of the Corporation, One Greenwich Plaza, Greenwich, Connecticut, at 10:00 A.M. All Directors waived notice of the meeting.

Mr. David W. Wallace, President of the Corporation, acted as Chairman of the meeting, and John J. Martin, Secretary of the Corporation kept the minutes thereof.

The following Directors, constituting a quorum, were present:

David W. Wallace
John E. Flick
Stephen Gable
Lewis J. Hecker
Thomas D. Stephenson
Carl E. Deluno
Jose J. Basulto

The following Directors were unable to attend the meeting:

William H. Schaum
W. Gordon Robertson
Robert T. Lawrence

ESTABLISHMENT AND MAINTENANCE OF CASH ACCOUNT

The Chairman stated that it would be appropriate to authorize certain officers of the Corporation to open and maintain an account in the Corporation's name with the stock brokerage firm of Merrill Lynch, Pierce, Fenner & Smith Incorporated. Thereupon upon motion duly made, seconded and carried it was:

RESOLVED: That this corporation, Bangor Punta Corporation be, and it hereby is, authorized and empowered to open and

maintain an account with MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, and its successors, by merger, consolidation or otherwise, and assigns, hereinafter called the brokers, for the purchase and sale of stocks, bonds or securities, on exchanges of which the brokers are members or otherwise, and that any of the officers hereinafter named be, and he hereby is, authorized to give written or verbal instructions by telephone, or telegraph, or otherwise, to the brokers to buy or sell stocks, bonds, or securities, either for immediate or future delivery and, if he deems proper to secure payment therefor with property of this corporation; and he shall at all times have authority in every way to bind and obligate this corporation for the carrying out of any contract, arrangement or transaction which shall, for or on behalf of this corporation, be entered into or made with or through the brokers; and that the brokers are authorized to receive from this corporation, checks and drafts drawn upon the funds of this corporation by any officer or employee of this corporation, and to apply the same to the credit of this corporation or to its account with said brokers and the said brokers are authorized to receive from said officer(s) or from any other officer or employee of this corporation, stocks, bonds, or other security for the account of this corporation with said brokers; said brokers are further authorized to accept instructions from any officer herein named as to the delivery of stocks, bonds, or other securities from the account of this corporation and at his direction to cause certificates of stocks, bonds, and other securities held in said account to be transferred to the name of any officer hereinafter named or of this corporation in the discretion of said officer; and delivery to any such officer of such stocks, bonds, or securities, issued as directed by him, shall be deemed delivery to this corporation; and any such officer shall have the fullest authority at all times with reference to any transaction deemed by him to be proper to make or enter into for or on behalf of this corporation with the brokers or others. All confirmations, notices, and demands upon this corporation may be delivered by the brokers verbally or in writing, or by telegraph, or by telephone to any such officer and he is authorized to empower any person, or persons, that he deems proper, at any time, or times, to do any and all things that he is hereinbefore authorized to do. That this resolution shall be and remain in full force and effect until written notice of the revocation hereof shall be delivered to the brokers. The officer(s) herein referred to are named as follows, to-wit: The President, any Vice-President, the Treasurer or the Secretary of this Corporation.

SALE OF STOCK IN BANGOR AND AROOSTOOK RAILROAD COMPANY

The Chairman stated that it had been determined that it would be in the best interests of the Corporation to sell the shares of the Bangor and Aroostook Railroad Company owned by it.

After discussion, and upon motion duly made, seconded and carried, it was:

> RESOLVED, that the proposed sale by the Corporation of 177,466 shares of the issued and outstanding capital stock of Bangor and Aroostook Railroad Company, a Maine corporation, for $5 million in cash will be in the best interests of the Corporation and its sole stockholder and Amoskeag Company.
>
> FURTHER RESOLVED, that the proper officers of the Corporation be, and each hereby is, authorized to execute an agreement of sale subject to the terms and conditions as such officer in his sole discretion with the advice of counsel may determine and any amendments, modifications and supplements thereto.
>
> FURTHER RESOLVED, that all actions and doings of the officers, employees and agents of the Corporation or any of them in connection with the proposed sale by the Corporation of said capital stock of Bangor and Aroostook Railroad Company to Amoskeag Company be, and they hereby are approved, ratified and confirmed.

YANKEE MOTOR CORPORATION

The Chairman announced that the Corporation had agreed in principal to acquire the business, assets and property (and the assumption of certain liabilities) owned by Yankee Motor Corporation. He explained that Yankee Motor Corporation ("Yankee") was the exclusive distributor in the United States of the "Ossa" brand motorcycle, and that it would soon manufacture and assemble a new 500 cc. "Yankee" brand motorcycle. He stated that the acquisition of Yankee would afford the Corporation an important entry into the fast growing motorcycle market. Mr. Wallace continued by stating that the proposed Agreement contemplated that the Corporation would pay Yankee, as initial consideration, shares of Common Stock of Bangor Punta Corporation equal in value to the Net Worth of Yankee as of August 31, 1969, plus a maximum of $3,000,000 in market value of Common Stock of Bangor Punta Corporation over a period of ten years based upon the earnings of Yankee. He distributed for examination by

the members of the Board of Directors a copy of the proposed Agreement between the Corporation and Yankee.

After discussion, and upon motion duly made, seconded and carried, it was:

RESOLVED, that the proposed acquisition by the Corporation of the business, assets and property (and the assumption of certain liabilities) owned by Yankee Motor Corporation ("Yankee"), a New York corporation, will be in the best interests of the Corporation and that the proposed terms and conditions of such acquisition as set forth in the proposed Agreement between the Corporation and Yankee, a copy of which is attached to these minutes as Exhibit A and is incorporated herein by reference, be, and they hereby are, approved;

FURTHER RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized to execute the proposed Agreement in the form submitted to the meeting, subject to the terms and conditions therein specified, and to make such amendments, modifications, and supplements to such Agreement as they in their sole discretion with the advice of counsel may determine;

FURTHER RESOLVED, that all accounts and doings of the officers, employees and agents of the Corporation, or any of them, in connection with the proposed acquisition of the business, assets and property (subject to certain liabilities) from Yankee be and they hereby are, approved, ratified and confirmed; and

FURTHER RESOLVED, that the officers of the Corporation be, and they hereby are, authorized to consummate the transaction provided for in the proposed Agreement subject to the terms and conditions therein specified and to make such amendments, modifications and supplements to such agreements as they in their sole discretion with the advice of counsel may determine.

PAYMENT ON ACCOUNT OF THE DEATH OF KENNETH G. WOOLLEY

The Chairman then stated that Kenneth G. Woolley, the President of the Pameco-Aire division of the Corporation had passed away. The Chairman reported that because of the devotion of Mr. Woolley to the Corporation and other considerations, that the corporation pay a sum of money to his widow. Thereupon upon motion duly made, seconded and approved it was:

"RESOLVED, that out of regard for, and in recognition of years of valuable service rendered and the loyal dedication to the service of the Corporation shown by Kenneth G. Woolley, the late and valued President of the Pameco-Aire division of the Corporation, the proper officers of Pameco-Aire division be and they hereby are authorized to pay Mrs. Woolley personally, four equal quarterly installments of $5,000 payable between the calendar quarter beginning October 1, 1969, and ending September 30, 1970. Provided, that at the discretion of the proper officers of the Pameco-Aire division, the final quarterly payment may be postponed to a date not later than January 31, 1971."

There being no further business to come before the meeting, the same was adjourned.

John G. Martin, Secretary

PLAINTIFF'S EXHIBIT 52

AGREEMENT

Agreement dated as of May 8, 1969 between the signing shareholders listed in Schedule 1 hereto ("Sellers") of Piper Aircraft Corporation, a Pennsylvania corporation having an office in Lock Haven, Pennsylvania ("Piper"), and Bangor Punta Corporation, a Delaware corporation having an office at 405 Park Avenue, New York, New York ("Bangor Punta"),

W I T N E S S E T H :

WHEREAS, Sellers own shares of Piper Common Stock in the amounts indicated opposite their names on Schedule 1 hereto; and

WHEREAS, Sellers have agreed to exchange their shares of Piper Common Stock for Bangor Punta securities on the terms and conditions herein described; and

WHEREAS, Sellers have agreed to deposit their shares of Piper Common Stock in escrow with First National Bank of Lock Haven ("the Bank");

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

PLAINTIFF'S EX: 1 [illegible] EX.
DEFENDANT'S EX: — FOR ID.
DATE: 6/6/[illegible] PHILIP FELDMAN
SHORTHAND REPORTER

Section 1. Escrow. (A) Within 5 days of his signing this Agreement each of Sellers will deliver to the Bank a certificate or certificates representing the number of shares of Piper Common Stock indicated opposite his name on Schedule 1 (such certificates together with any other certificates of Piper Common Stock delivered to the Bank pursuant hereto being termed herein "the Certificates") and will deliver to Bangor Punta an irrevocable proxy coupled with an interest (such proxy, to be in the form attached hereto as Exhibit A, together with any other proxies delivered to the Bank pursuant hereto being termed herein the "Proxies") appointing Nicolas M. Salgo, W. Gordon Robertson and David W. Wallace as proxies for such Seller, except that as to the number of shares of Piper Common Stock indicated opposite the name of any Seller on Schedule 2 hereto, which are presently pledged to commercial lenders ("the Pledged Shares") as security for indebtedness of such Seller, only Proxies and not certificates will be delivered as aforesaid except as hereinafter required. Each of the Certificates will be endorsed in blank or will be accompanied by a separate form of stock power executed in blank, in either case with the signature of the holder of record guaranteed by a bank or trust company that is a member, or a correspondent of a member, of the New York Clearing House, or

by a firm having membership in the New York Stock Exchange, in proper form to permit the transfer of the shares represented thereby on the stock transfer records of Piper. Each of the Proxies will be signed by the record owner of the Certificates to which it relates in the precise form in which such Certificates are registered on the stock transfer records of Piper.

(B) Upon first receipt of any of the Certificates, the Bank and William T. Piper, Jr., who is hereby irrevocably designated the Agent ("the Agent") for the Sellers as to all matters and controversies relating to this Agreement, will execute and deliver a letter agreement in the form set forth in Exhibit B hereto.

(C) Until terminated in accordance with the terms of this Agreement, the Escrow established hereby for the express benefit of Bangor Punta and Sellers is irrevocable. The obligations and authorizations of Sellers hereunder will not be terminated by operation of law or the occurrence of any event not prescribed by this Agreement, including the death or incompetency of any of Sellers, or, in the case of a trust, the death or substitution of any trustee or trustees or the termination of such trust, or, in the case of an estate, the death or substitution of any executor or administrator; and if any such event occurs with respect to any Seller before the release from the

Escrow hereunder of the Certificates representing the shares owned by such Seller, the Bank is hereby authorized and instructed to hold and dispose of such Certificates in accordance with the terms and conditions hereof as if such event had not occurred irrespective of whether the Bank shall have received notice of such event.

(D) Sellers whose names are listed on Schedule 2 agree to take all necessary action to prevent foreclosure of the Pledged Shares by the lenders holding them as security. Within 5 days of his signing this Agreement each such Seller will obtain from the lender or lenders holding his Pledged Shares as security for his indebtedness a letter agreement for the benefit of Bangor Punta substantially as set forth in Exhibit C hereto. Upon receipt of any certificates for Pledged Shares the Bank will notify the Agent and Bangor Punta of such fact, and the Agent will notify such Seller of such fact and such Sellerwill take any action necessary to put such certificates into the form specified in paragraph (A) of this Section 1.

(E) Each of Sellers (i) will not directly or indirectly, prior to the termination of the Escrow established hereby, purchase additional shares of Piper stock except upon exercise of options presently outstanding and (ii), in the event that he becomes owner by any means of any additional shares of Piper stock, will deposit

with the Bank the certificates representing such shares and all other documents necessary to insure that such shares will be subject in all respects to this Agreement as if originally listed on Schedule 1.

(F) Notwithstanding any other provision of this Agreement, Bangor Punta and Sellers consent to the release from the Escrow upon 10 days' prior written notice to Bangor Punta and to the sale thereafter from time to time by or on behalf of W. T. Piper, Sr. of sufficient shares of Piper Common Stock to provide funds, after taxes on such sale, for the payment on April 15, 1970 of gift taxes then due to be paid by W. T. Piper, Sr. as a result of taxable gifts made by him prior to April 1, 1969; provided, however, that no such release or sale of shares of Piper Common Stock shall take place prior to January 1, 1970 except upon the prior written consent of Bangor Punta which shall not be unreasonably withheld. Bangor Punta and its designees shall have a right of first refusal in respect of any and all shares of Piper Common Stock that are released from Escrow as provided in this paragraph (F) at a fixed price of $70 per share. Any such release of shares of Piper Common Stock will automatically amend Schedule 1 to delete such shares, except for purposes of the last sentence of paragraph (E) of Section 2 to the

extent therein provided.

(G) Upon receipt by the Bank of written advice from Piper that its Common Stock has been the subject of a split, reverse split or other reclassification rendering the Certificates obsolete, the Bank shall surrender the Certificates to Piper upon the receipt by the Bank of new Certificates appropriately registered and in appropriate denominations, accompanied by a certification by the Agent that such new Certificates correctly represent the interests of the respective Sellers in accordance with such reclassification. Upon receipt by the Bank of such new Certificates the Bank will so advise Sellers and Bangor Punta, and Sellers hereby agree promptly to deliver to the Bank stock powers relating thereto executed in blank and with signatures guaranteed and, if necessary in the opinion of Bangor Punta, will deliver to Bangor Punta proxies for such shares, all as provided in paragraph (A) of this Section 1. Reclassified securities received by the Bank as above provided shall be deemed to constitute the Piper Common Stock of Sellers for purposes of this Agreement, and any consideration payable for such reclassified shares pursuant to this Agreement shall be the same as the consideration payable hereunder for such shares prior to reclassification.

(H) Sellers will pay to the Bank its reason-

able and customary fees for the services to be rendered by it and will reimburse it for reasonable expenses incurred in connection therewith and for any transfer taxes payable in respect of the Piper Common Stock, all in proportion to their respective holdings thereof.

Section 2. Exchange Offer. (A) Bangor Punta will as soon as practicable submit to a meeting of its shareholders a proposal for, and an unqualified recommendation of approval of, an exchange offer ("the Exchange Offer") as hereinafter described and will use its best efforts to obtain the necessary shareholder and governmental approval therefor. The Exchange Offer will be for all outstanding shares of Piper Common Stock owned by Sellers at the time of the Exchange Offer. If Bangor Punta's shareholders disapprove such proposal, this Agreement and the Escrow shall forthwith terminate without further action by Bangor Punta or Sellers.

(B) Under the Exchange Offer each share of Piper Common Stock will be exchanged for (i) one share of Bangor Punta Common Stock, par value $1 per share, as constituted on the date hereof, (ii) Bangor Punta Warrants--Series C, expiring March 31, 1981, to purchase 2.7 shares of Bangor Punta Common Stock as constituted on the date hereof, and (iii) $15 principal amount of a new Bangor Punta 5-1/2% 25-year Convertible Subordinated

Debenture, convertible into Bangor Punta Common Stock as constituted on the date hereof at a conversion price of $55 per share (and having other privileges and protections, such as against dilution, that are customary in publicly offered convertible debt securities).

(C) Sellers will cooperate with Bangor Punta in making the Exchange Offer and obtaining any governmental approval appropriate in connection with the making of the Exchange Offer and in connection with the issuance of the Bangor Punta securities issuable as part of such offer. Sellers understand that some, or all, of them may be deemed underwriters within the meaning of the Securities Act of 1933 in connection with the Exchange Offer, and Sellers will have the rights customarily accorded to underwriters for legal protection in respect of material to be included in any Registration Statement filed in connection with the Exchange Offer and will comply with all applicable requirements of federal and state securities acts in connection with any distribution by them. Bangor Punta will indemnify and hold harmless Sellers against any losses, claims, damages or liabilities, joint or several, (and actions in respect thereof) to which they or any of them may become subject under the Securities Act of 1933 or otherwise by reason of any untrue statement or alleged untrue statement of any material fact contained in any

such Registration Statement, the Prospectus, any related preliminary prospectus or any amendment or supplement thereto, or by reason of the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; and Bangor Punta will reimburse each Seller for any legal or other expenses reasonably incurred by such Seller (after notice to Bangor Punta and an opportunity to Bangor Punta to participate and/or defend) in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that Bangor Punta shall not have any such liability to the extent that any such loss, claim, damage or liability arises out of or is based upon (i) any statement contained in or omitted from any such documents in reliance upon and in conformity with written information furnished to Bangor Punta by or on behalf of Sellers or Piper expressly for use therein or (ii) the use by the person claiming indemnification of any preliminary prospectus after a final Prospectus shall have been furnished to such person by Bangor Punta or the use of any Prospectus not reflecting the amendment or supplement thereto after the Prospectus reflecting such amendment or supplement has been furnished to such person by Bangor Punta. Sellers will indemnify and hold harmless Bangor Punta, each of its directors,

each of its officers and each person, if any, who controls Bangor Punta within the meaning of Section 15 of the Securities Act of 1933 against any losses, claims, damages or liabilities (and actions in respect thereof) to which Bangor Punta or any such director, officer or controlling person may become subject under the Securities Act of 1933 or otherwise by reason of any untrue statement or alleged untrue statement of any material fact contained in any such Registration Statement, the Prospectus, any related preliminary prospectus or any amendment or supplement thereto, or by reason of the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to Bangor Punta by or on behalf of Sellers or Piper specifically for use therein; and Sellers will reimburse any legal or other expenses reasonably incurred by Bangor Punta or any such director, officer or con olling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that Sellers

shall not have any such liability to the extent that any such loss, claim, damage or liability arises out of or is based upon the use by Bangor Punta of any preliminary prospectus after a final Prospectus shall be available for use or the use by Bangor Punta of any Prospectus not reflecting an amendment or supplement thereto after the Prospectus reflecting such amendment or supplement becomes available for use by Bangor Punta.

(D) Following receipt of the necessary governmental and shareholder approvals, Bangor Punta promptly will notify the Agent and the Bank of the opening date of the Exchange Offer, which will be as soon as possible. Upon being advised by Bangor Punta of the opening date of the Exchange Offer, the Bank will as soon as practicable after such date deliver all the Certificates to Bangor Punta for exchange pursuant to the terms of the Exchange Offer, and Bangor Punta will in exchange therefor deliver to the Bank an appropriate amount of its securities recorded on the transfer records of Bangor Punta as requested by the respective Sellers. Promptly thereafter the Bank will deliver such Bangor Punta securities to Sellers, and the Escrow will terminate.

(E) Beginning on the date hereof Bangor Punta [would] ~~will~~ use its best efforts to acquire additional shares

of Piper stock ("the Additional Shares") sufficient, when added to the number of shares of Piper Common Stock owned by Sellers and covered by this Agreement, to constitute Bangor Punta the holder of more than 50% of the outstanding shares of Piper stock. As a part of such best efforts, Bangor Punta ~~will~~ [would] take all steps necessary to make a further exchange offer to all holders of Piper Common Stock other than Sellers under which such holders ~~will~~ [would] be entitled to exchange each share of Piper Common Stock held by them for Bangor Punta securities and/or cash having a value, in the written opinion of The First Boston Corporation, of $80 or more ("the Further Exchange Offer Value"). If Bangor Punta succeeds [has] in acquiring the Additional Shares and if in the written opinion of The First Boston Corporation the value of the Bangor Punta securities delivered ~~under the Exchange Offer for each share of Piper Common Stock~~ [to the Piper Family] (the "Exchange Offer Value"), determined as of the opening date of such Further Exchange Offer, ~~is~~ [was] less than $80, then Bangor Punta ~~will~~ [would] promptly thereafter deliver to ~~Sellers in respect of each share of Piper Common Stock delivered under the Exchange Offer and each share of Piper Common Stock that is purchased by~~ [the Piper Family] Bangor Punta upon exercise of its rights of first refusal under paragraph (F) of Section 1, Bangor Punta securities and/or cash with a value in the written opinion of The

First Boston Corporation equal to the difference between $80 and the Exchange Offer Value.

(F) If Bangor Punta is unable for any reason to consummate the Exchange Offer before the date ("the Final Date") that is 6 months after the date of its notice to the Agent that it has completed its best efforts to consummate the Exchange Offer, then this Agreement and the Escrow shall terminate forthwith without further action by Bangor Punta or Sellers; provided, however, that the Final Date shall be postponed by a period, if any, equal to the time during which Bangor Punta, Sellers, Piper, the Bank or the Agent is restrained, prohibited or otherwise prevented from carrying out the provisions of this Agreement by any investigation, suit, action or other proceeding, threatened or pending before any court, governmental body or regulatory agency (including, without limitation, any stock exchange the rules of which apply to any of such persons).

Section 3. Representations and Warranties. (A) Each of Sellers hereby represents and warrants as to himself that: (i) such Seller owns and has full legal title to the number of shares of Piper Common Stock indicated opposite his name on Schedule 1, free and clear of all liens, charges or encumbrances except in the case of shares listed on Schedule 2 and that in the case of shares

listed on Schedule 2 there are no liens, charges or encumbrances as to such shares that have not been disclosed to Bangor Punta in writing on such Schedule; (ii) the number of shares of Piper Common Stock indicated opposite such Seller's name on Schedule 1 represents all shares of Piper Common Stock owned of record by such Seller, the Proxy delivered by such Seller as to such shares is valid and binding on such Seller and such Proxy and the endorsements or stock powers delivered by such Seller have been validly executed by the owner of record of such shares; (iii) this Agreement is a valid and binding obligation of such Seller enforceable in accordance with its terms; (iv) the making and performance of this Agreement and the sale of the Piper Common Stock contemplated hereby have been duly authorized by all necessary action, are within the powers of such Seller, and will not violate or constitute a default under any agreement or instrument, including in the case of a Seller that is a corporation its Certificate of Incorporation and By-Laws, by which such Seller is bound or affected; (v) the shares of Piper Common Stock of such Seller are, as to those presently owned, and will be, as to those owned hereafter, duly and validly issued, fully paid and non-assessable and not liable to further call, and are or will be duly listed on the New York Stock Exchange; (vi) the shares of Piper Common Stock of such

Seller are freely transferable by him to Bangor Punta for investment (and not with a view to distribution) as provided in this Agreement without prior governmental approval or permission; and (vii) to the knowledge of such Seller the execution and the delivery of this Agreement, and the execution, delivery and transfer of the Certificates and the Proxies, will not violate or constitute a breach of any statute or other governmental regulation and there is no suit, action or other proceeding pending or threatened which would affect the enforceability of this Agreement.

(B) Bangor Punta represents and warrants that it is acquiring the Piper Common Stock from Sellers for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933. Sellers will use their best efforts in cooperation with Bangor Punta to register the shares of Piper Common Stock under applicable federal and state securities acts at any time that Bangor Punta so requests.

Section 4. No Disposition. No Seller will sell, assign, pledge or otherwise dispose of (including specifically, without limitation, by tender of such shares to any person pursuant to a tender offer or exchange offer) any shares of Piper Common Stock now owned or hereafter acquired by him prior to the termination of the

Escrow established hereby, except in accordance with the terms hereof.

Section 5. Conduct Pending Termination. Prior to the termination of the Escrow established hereby, each Seller will use his best efforts as a shareholder of Piper to cause Piper (i) to conduct its business in its ordinary course, (ii) to preserve intact its business organization; (iii) to keep available the services of its present employees; (iv) to maintain satisfactory relationships with its suppliers, customers and others having business relations with it; (v) not to change its Articles of Incorporation or By-Laws in a manner requiring consent of its shareholders; and (vi) not to issue any shares of its stock in addition to those issued and outstanding on the date hereof, except upon exercise of options previously issued or authorized for issuance.

Section 6. Binding Effect. This Agreement will be valid and binding when counterparts are signed by Bangor Punta and by Sellers owning 501,000 or more shares of Piper Common Stock. This Agreement will be binding upon and inure to the benefit of each of the undersigned, their heirs, legal representatives, distributees, successors and assigns; provided, however, that no assignment by

any of Sellers or by Bangor Punta of any of its rights under this Agreement, except an assignment by operation of law or, in the case of Bangor Punta, to a wholly-owned subsidiary of Bangor Punta, shall be valid or effective without the prior written mutual agreement of the Agent and Bangor Punta.

Section 7. Miscellaneous. (A) Notices given hereunder will be deemed sufficient if in writing and delivered by hand or sent certified or registered mail, if to Bangor Punta at its address set forth above, attention of the Secretary, if to the Bank at Lock Haven, Pennsylvania 17745, and if to Sellers, c/o W. T. Piper, Jr., Piper Aircraft Corporation, 820 East Bald Eagle Street, Lock Haven, Pennsylvania 17745.

(B) If any provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall

not be affected thereby, and each term and provision hereof shall be valid and enforceable to the fullest extent permitted by law.

(C) The representations and warranties of the parties to this Agreement shall survive the complete performance of this Agreement for the full period of any applicable statute of limitations.

(D) Headings used herein are for convenience only and shall not be used in construing any provision hereof.

(E) This Agreement may be executed by Sellers in any number of counterparts, each of which shall be deemed an original; and execution by Bangor Punta of any one such counterpart will be deemed acceptance hereof as to all counterparts heretofore or hereafter signed by Sellers and delivered to Bangor Punta.

(F) This Agreement is to be governed by and construed in accordance with the law of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

BANGOR PUNTA CORPORATION

By_____ _____(L.S.)

[Seal] _____(L.S.)

_____(L.S.)

_____(L.S.)

_____(L.S.)

_____(L.S.)

EXHIBIT A

165

PROXY

I (We) hereby irrevocably appoint Nicholas M. Salgo, W. Gordon Robertson and David W. Wallace and each of them acting without the other as proxies with power of substitution to represent me (us) and to vote all my (our) stock in Piper Aircraft Corporation held by me (us) on any Record Date from the date hereof through December 31, 1971 in respect of any and all of the following matters that may come before any Annual Meeting or Special Meeting of the shareholders of Piper Aircraft Corporation, and at any adjournment or adjournments thereof:

1. Any matter, except the election or removal of directors, that is required by any provision of the Pennsylvania Business Corporation Law to be submitted to a vote of shareholders.

2. Any other matter, except the election or removal of directors, that is submitted to a vote of shareholders of Piper Aircraft Corporation, but only upon condition that the proxies appointed herein shall, at least 10 days prior to the date of the meeting at which such matter is to be voted upon, have notified the undersigned, in a writing addressed to him at his address then appearing on the transfer records of Piper Aircraft Corporation,

as to the manner in which such vote will be cast by the proxies appointed herein. The condition stated in the preceding sentence is hereby waived in respect of any matter of which the proxies appointed herein shall not have received written notice from Piper Aircraft Corporation at least 21 days prior to the date of the meeting at which such matter is to be voted upon.

This proxy is coupled with an interest and revokes any proxy heretofore given by the undersigned. Notwithstanding the foregoing, this proxy shall not be valid to vote at any Annual Meeting or Special Meeting of the shareholders of Piper Aircraft Corporation on any matter proposed by or on behalf of Bangor Punta Corporation unless either (A) the Board of Directors of Piper Aircraft Corporation shall have recommended to shareholders, in proxy materials distributed in management's solicitation of proxies, that shares be voted in favor of such proposal or (B) the proxies named herein shall have received an opinion of counsel that a vote in favor of such matters is not inconsistent with carrying out the provisions and intent of the Agreement dated May 8, 1969 to which Bangor Punta Corporation and the undersigned are parties with others.

Date: _____, 1969 _____

_____

Joint owners should each sign separately. All trustees must sign unless the trust instrument permits otherwise.

EXHIBIT B

(Date)

Re: Agreement date as of May 8, 1969 among Bangor Punta Corporation and Sellers named therein, attached hereto as Exhibit A ("the Agreement")

Gentlemen:

The undersigned has been designated as Agent for the Sellers named in the Agreement (the "Sellers").

You are hereby instructed to hold the Certificates delivered to you as contemplated under the Agreement, and not to dispose of them except in accordance with the Agreement. This request is being made on behalf of Bangor Punta Corporation and the Sellers named in the Agreement and is intended to be for their respective benefit.

You are hereby instructed to notify the Agent and Bangor Punta Corporation by collect telegram, on a daily basis, of your receipt of Certificates under the Agreement. You will give Bangor Punta access to the Certificates for verification of signatures and otherwise for authenticity. If you receive any Proxies signed by Sellers under the Agreement, you will promptly deliver them to Bangor Punta.

Please sign in the place below provided to acknowledge receipt of the Certificates delivered herewith and to indicate your agreement to act in accordance with this letter and the Agreement.

Very truly yours,

, Agent

Received and Agreed to, all
as provided above, as of the
date set out above.

FIRST NATIONAL BANK OF LOCK HAVEN

By_____

EXHIBIT C

(Date)

Bangor Punta Corporation
405 Park Avenue
New York, New York 10022

Gentlemen:

We are holding _____ shares of Common Stock of Piper Aircraft Corporation ("Piper Common Stock") stock owned by _____ (the "Pledgor") as security for certain indebtedness owed to us by the Pledgor.

We have received a copy of an agreement dated as of May 8, 1969 between you and the Pledgor and a number of other owners of Piper Common Stock named therein (the "Agreement") providing for, among other things, First National Bank of Lock Haven, Pennsylvania to hold in escrow certificates representing all shares of Piper Common Stock owned by the Pledgor. The Agreement covers the shares of such stock being held by us as aforesaid, and in accordance with the Agreement we agree with you as follows:

1. At any time that the indebtedness of the Pledgor for which the shares of Piper Common Stock referred to above are being held by us as security is discharged, or reduced to such extent that in our sole discretion we shall have determined that we no longer require any or all such shares for security, the certificates for shares no longer so required will be delivered by us to First National Bank of Lock Haven to be held in accordance with the terms of the Agreement.

2. If we are holding any of the aforesaid shares of Piper Aircraft Corporation as security on the effective date of the exchange offer referred to in Section 2 of the Agreement, we will, at the request of First National Bank of Lock Haven, deliver certificates for such shares to such bank to be exchanged for such Bangor Punta securities as are deliverable in connection with such exchange offer. Such Bangor Punta securities will thereupon be delivered to us for substitution as security for the aforesaid indebtedness.

3. We will advise Bangor Punta and First National Bank of Lock Haven prior to foreclosing on any of the shares of Piper Common Stock held as security for the above indebtedness and prior to disposing in any way of such shares, we will at Bangor Punta's option either (i) offer such shares to Bangor Punta for purchase at the lesser of (a) $70 and (b) the then market price thereof or (ii) exchange such shares for the Bangor Punta securities deliverable in connection with the aforesaid exchange offer.

Very truly yours,

SCHEDULE 1

W. T. Piper, Sr.	73320
Mrs. Clara S. Piper	9207
Piper Investment Company	37500
Castanea Pealty Company, Inc.	84025
The Piper Foundation Inc.	8005
W. T. Piper, Jr.	38203
Margaret Bush Piper	1560
Mary P. Bolles	22564
John S. and Mary P. Bolles	195
David D. Bolles	12740
Jane Bolles Grimm	11283
Sarah Bolles Conner	6143
John Thomas Bolles	4673
Mary P. Bolles, trust for John Thomas Bolles	1500
J. C. Vincent, Jr. & P.P. Bolles, trust for P.P. Bolles	5474
Thomas F. Piper	31570
Thomas F. and Margaret B. Piper	2550
Thomas F. Piper, Jr.	13000
Barbara F. Piper	100
John R. Piper	4344
William H. Piper	4344
Leena J. Piper	100
Howard Piper	32467
Howard and Helen W. Piper	3250
Helen W. Piper	7780
David W. Piper	6000
Patricia Piper Devonshire	9236
Howard Piper, Jr.	9237
Elizabeth P. Harford	33870
Thomas J. Harford	285
Thomas J. Harford, Jr.	4476
Elizabeth L. Harford	4316
Jane L. Harford	2391
First National Bank, Lock Haven, trust for Jane L. Harford	1984
Anne G. Harford	2596
Mrs. Ione Taber Collins	1539
Claire Collins Price	1835
Mary C. Lederhouse	1782
Norris E. Price	100
Mrs. Claire Taber Moore	1703
John F. Moore	232
Thomas Martin Moore	1854
Susan Moore Taylor	1757

SCHEDULE 2

	Pledgee	Shares
W. T. Piper, Sr.	Pittsburgh National Bank	6,000
	Lock Haven Trust Company	7,000
	First National Bank, Lock Haven	1,000
Piper Investment Company	Pittsburgh National Bank	32,500
	First National Bank, Lock Haven	5,000
Castanea Realty Company, Inc.	Pittsburgh National Bank	84,025
W. T. Piper, Jr.	Pittsburgh National Bank	6,000
	Lock Haven Trust Company	3,000
	First National Bank, Lock Haven	6,000
	Ft. Lauderdale National Bank	1,000
Mary P. Bolles	Crocker-Citzens National Bank, San Francisco	1,100
	Security-Pacific National Bank, San Francisco	4,910
	Bank of America, San Francisco	3,283
	Paul W. McConish c/o O'Donnell, Waiss & McComish, San Francisco	13,271
John S. and Mary P. Bolles	Security-Pacific National Bank, San Francisco	195
J. C. Vincent, Jr. & P. P. Bolles, trust for P. P. Bolles	Harvard Trust Co., Concord, Mass.	300
	State Street Bank & Trust Co. Boston, Mass.	100
	J. C. Vincent, Jr. c/o Hill & Barlow Boston, Mass.	600
Thomas F. Piper	Pittsburgh National Bank	6,000
	Lock Haven Trust Company	8,000
	First National Bank, Lock Haven	1,000

SCHEDULE 1

W. T. Piper, Sr.	73320
Mrs. Clara S. Piper	9207
Piper Investment Company	37500
Castanea Pealty Company, Inc.	84025
The Piper Foundation Inc.	8005
W. T. Piper, Jr.	38203
Margaret Bush Piper	1560
Mary P. Bolles	22564
John S. and Mary P. Bolles	195
David D. Bolles	12740
Jane Bolles Grimm	11283
Sarah Bolles Conner	6143
John Thomas Bolles	4673
Mary P. Bolles, trust for John Thomas Bolles	1500
J. C. Vincent, Jr. & P.P. Bolles, trust for P.P. Bolles	5474
Thomas F. Piper	31570
Thomas F. and Margaret B. Piper	2550
Thomas F. Piper, Jr.	13000
Barbara F. Piper	100
John R. Piper	4344
William H. Piper	4344
Leena J. Piper	100
Howard Piper	32467
Howard and Helen W. Piper	3250
Helen W. Piper	7780
David W. Piper	6000
Patricia Piper Devonshire	9236
Howard Piper, Jr.	9237
Elizabeth P. Harford	33870
Thomas J. Harford	285
Thomas J. Harford, Jr.	4476
Elizabeth L. Harford	4316
Jane L. Harford	2391
First National Bank, Lock Haven, trust for Jane L. Harford	1984
Anne G. Harford	2596
Mrs. Ione Taber Collins	1539
Claire Collins Price	1835
Mary C. Lederhouse	1782
Norris E. Price	100
Mrs. Claire Taber Moore	1703
John F. Moore	232
Thomas Martin Moore	1854
Susan Moore Taylor	1757

	Pledgee	Shares
John R. Piper	Lock Haven Trust Company	400
Howard Piper	Pittsburgh National Bank	6,000
	Lock Haven Trust Company	2,000
	First National Bank, Lock Haven	6,000
David W. Piper	First National Bank, Lock Haven	6,000
Elizabeth P. Harford	Central Jersey Bank, Farmingdale, N. J.	8,262
	New Jersey National Bank & Trust Co., Asbury Park	5,000
	Fidelity Union Trust Company, Irvington, N. J.	2,742
	Montclair National Bank, Montclair, N. J.	2,000
	Mellon National Bank and Trust Company Pittsburgh, Pa.	644
	First National Bank Princeton, New Jersey	100
	Midland National Bank Paramus, N. J.	100

BPC 1

PLAINTIFF'S EXHIBIT 53

AGREEMENT

Agreement dated as of April , 1969 between each of the persons whose names and addresses are listed on Schedule 1 hereto (the Sellers) and Bangor Punta Corporation, a Delaware Corporation having an office at 405 Park Avenue, New York, New York (Bangor Punta).

WITNESSETH:

WHEREAS, Bangor Punta intends to purchase for cash 300,000 or more shares of Common Stock of Apple Corporation (Apple); and

WHEREAS, the Sellers own Common Stock of Apple in the amounts set out alongside their names on Schedule 1; and

WHEREAS, the Sellers have agreed to ~~sell~~ exchange their Common Stock of Apple, to Bangor Punta, subject to certain terms and conditions; and securities

WHEREAS, the Sellers have agreed to deposit the stock of Apple owned by them in escrow with the First National Bank of _____ (the Bank) together with irrevocable proxies pertaining to the voting of such stock;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged the parties hereto agree as follows:

1. Escrow (A) Each of the Sellers herewith delivers to the Bank, a certificate or certificates representing the number of shares of Common Stock of Apple set out alongside his name on Schedule 1 (such certificates together with any other certificates of Apple Common Stock delivered to the Bank pursuant hereto being termed herein the Certificates) together with an irrevocable proxy coupled with an interest (the Proxies) appointing the persons named therein as Proxies for such Sellers, except that as to the shares of Common Stock of Apple listed on Schedule 2 hereof, which are presently pledged to commerical lenders (the Pledged Shares) as security for indebtedness of those Sellers listed on Schedule 2, only Proxies and not Certificates are delivered herewith. Each of the Certificates are endorsed in blank or is accompanied by a separate form of stock power executed in blank, in either case with the signature of the holder of record guaranteed by a bank or trust company which is a member, or a correspondent of a member, of the New York Clearing House, or by a firm having membership in the New York

Stock Exchange, in proper form to permit the transfer of the shares represented thereby on the books of Apple. Each of the proxies have been signed by the record owner of the Certificates to which it relates in the precise form in which such Certificate is registered on the books of Apple;

B. Upon receipt of the Certificates and Proxies delivered herewith the Bank and _____ who is hereby designated the Agent (the Agent) for the Sellers as to all matters growing out of this Agreement, shall execute and deliver the letter agreement set out in Exhibit A hereto;

C. Until the termination of this Agreement in accordance with its terms the Escrow established hereby being for the express benefit of Bangor Punta and the Sellers is irrevocable. The obligations and authorizations of the Sellers hereunder shall not be terminated by operation of law, or the occurrence of any event, including the death or incompetency of any of the Sellers, or, in the case of a trust, by the death of any trustee or trustees, or the termination of such trust, or in the case of an estate, by the death of any executor or administrator,

and if any such event should occur with respect to any Seller before the release from Escrow hereunder in accordance with the terms hereof of the Certificates representing the shares owned by such Seller and for the related Proxies, the bank is hereby authorized and instructed to hold and dispose of such Certificates and for Proxies in accordance with the terms and conditions hereof as if such event had not occurred irrespective of whether the Bank shall have received notice of such event.

2. Private Purchase (A) Approximately 150,000 shares of the Common Stock of Apple are owned by one or more institutional investors. Bangor Punta hereby agrees to use its best efforts to either (i) purchase such shares or (ii) obtain from such institutions the right to purchase such shares at a future date provided however, that in no event shall Bangor Punta be obligated to pay for such shares a total price in excess of $80 per share. In the event that Bangor Punta is unable to purchase or arrange to its satisfaction for the purchase of such shares at a price of $80 a share or less prior to _____ Bangor Punta agrees to notify the Bank of such fact and thereupon this Agreement and the Es-

~~Rider~~ F) Upon receipt by the Bank of written advice from Apple that its Common Stock has been the subject of a split, reverse split or other reclassification rendering obsolete the ~~Escrowed~~ Certificates representing the Apple shares, the Bank shall surrender such Certificates to Apple upon the receipt by the Bank of new Certificates appropriately registered and in appropriate denominations, accompanied by a Certification of an officer of Apple that such new Certificates correctly represent the interests of the respective Sellers in accordance with such reclassification. Upon receipt by the Bank of such new Certificates the Bank will so advise the Seller and Bangor Punta, and the Sellers hereby agree to promptly furnish the Bank with stock powers relating thereto executed in blank and with signatures guaranteed as provided in paragraph A of this Section 1. Reclassified securities received by the Bank as above provided shall be deemed to constitute the Apple shares for purposes of this Agreement.

~~Rider~~ G) The Sellers will pay to the Bank its reasonable and customary fees for the services to be rendered by it and will reimburse it for reasonable expenses incurred in connection therewith and for any transfer taxes payable in respect of the Apple shares, all in proportion to their respective holdings of the Apple shares.

crow established hereby shall terminate and the Certificates and Proxies shall be delivered by the Bank to the Sellers.

3. ~~Trade~~ TENDER Offer (A) In the event Bangor Punta purchases or arranges to its satisfaction for the purchase of the shares referred to in ~~paragraph~~ SECTION 2 above at a total price of $80 a share or less prior to _____ Bangor Punta agrees to promptly make a public cash tender offer (the Tender Offer) for an amount of additional shares of Apple Common Stock at least equal to 821,000 shares minus the sum of the number of shares purchased in accordance with ~~paragraph~~ SECTION 2 above plus the total number of shares listed on Schedule 1, at a price of $80 a share. The Sellers agree to assist Bangor Punta in making the Tender Offer and to recommend its acceptance;

B. The Tender Offer shall provide that Bangor Punta shall have the right to refuse to accept all shares ~~of~~ IF less than the number tendered for are tendered. As an inducement to Bangor Punta to make the Tender Offer those Sellers listed on Schedule 3 hereto agree severally and not jointly

that, in the event Bangor Punta accepts no shares of Apple Stock tendered pursuant to the Tender Offer, they will share with Bangor Punta all costs and expenses growing out of the purchase by Bangor Punta of the ~~shares~~ SECTION referred to in ~~paragraph~~ 2 above, including in such costs, without limitation, any losses incurred in disposing of such shares, and the direct and indirect costs of Bangor Punta arising out of any indebtedness incurred to purchase such share or to obtain the right to purchase such shares. Bangor Punta shall bear 50% of such costs and expenses and the Sellers listed on Schedule 3 hereof shall severally and not jointly bear 50% of such costs and expenses. Upon determining not to accept any ~~shares~~ tendered pursuant to its Tender Offer ~~to~~ Bangor Punta agrees to use its best efforts to dispose of any ~~shares of Apple owned~~ by it as a result of the purchase referred to in ~~paragraph~~ SECTION 2 above so as to minimize any loss. Upon effecting such disposition Bangor Punta shall advise the Sellers listed on Schedule 3 in writing and in reasonable detail (with a copy to the Bank) of the costs and expenses involved and such Sellers shall within 30 days pay

Bangor Punta their share of such costs and expenses;

C. In the event that Bangor Punta determines not to accept any ~~shares~~ tendered pursuant to the Tender Offer it shall promptly notify the Bank of such fact and thereupon the Bank shall deliver the Certificates and Proxies to ~~Bangor Punta~~ provided, however, that the Bank shall not deliver those Certificates ~~and Proxies~~ listed on Schedule 3 to the Sellers listed on ~~such~~ Schedule 3 but shall hold such Certificates and Proxies until it is advised by Bangor Punta that Bangor Punta has received the shares payable by such Sellers of the costs and expenses referred to above and thereupon such Certificates and Proxies shall be delivered to the Sellers listed on Schedule 3. In the event that Bangor Punta shall not receive the shares payable by such Sellers of such costs and expenses the Bank will deliver the Certificates and Proxies to Bangor Punta at Bangor Punta's request. Such Certificates shall be applied by Bangor Punta to the amount ~~of such shares~~ with the Sellers remaining liable for any deficiency. Any excess over the amount due Bangor Punta realized in connection with the disposition of such ~~shares~~ by Bangor Punta shall be promptly remitted to the Sellers shown on Schedule 3 in proportion to their respective interests as shown on such

Schedule. Any ~~shares~~ not disposed of to satisfy the amount due Bangor Punta shall be delivered to the Seller originally placing it in Escrow. Bangor Punta shall have no obligation to pro-rate among the Sellers involved any disposition of ~~shares~~ and may sell at its absolute discretion any and all ~~shares~~ necessary to obtain the amount due it.

4. Exchange Offer (A) In the event that Bangor Punta determines to accept the ~~shares~~ tendered to it pursuant to the Tender Offer it shall so notify the Bank and the Bank shall promptly deliver to Bangor Punta all the Proxies. In addition, in such event Bangor Punta shall ~~promptly~~ offer to the Sellers to exchange its securities for their shares of Apple Common Stock listed on Schedule 1 on the basis of (i) 3 Bangor Punta Warrants - Series C, expiring March 31, 1981 to purchase a share of Bangor Punta Common Stock at a price of $55 a share, (ii) 1.3 shares of Bangor Punta Common Stock par value $1 per share and (iii) $15 principal amount of a new Bangor Punta 5% 30 year Convertible Debenture (convertible into 2.5 shares of Bangor Punta Common for each $100 principal amount) for each share of Apple Common Stock. In the alternative

Bangor Punta may offer the Sellers other securities and/or cash provided, however, in such case that the Sellers are advised by The First Boston Corporation that such other securities and/or cash are of equivalent value to the Warrants, Common Stock and Debentures mentioned above. The Sellers agree to cooperate with Bangor Punra in obtaining any regulatory approval appropriate in connection with the naking of such exchange offer and in connection with the issuance of the Bangor Punta securities issuable as part of such offer. ~~to~~ Bangor Punta shall notify the Sellers and the Bank of ~~its offer~~ and the Sellers shall thereupon advise the Bank as to the registration and other matters pertaining to the delivery of the Bangor Punta securities and/or cash to them. Upon being advised by Bangor Punta of the exchange offer the Bank shall ~~promptly~~ deliver to Bangor Punta the Certificates and Bangor Punta shall in exchange therefor deliver to the Bank its ~~Certificates~~ and/or cash (provided, however, that in the event of the substitution of securities and/or cash of equivalent value for the Warrants, Common Stock and Debentures listed above the Bank shall first be advised by the First Boston Corporation that such substituted consideration

is of equivalent value) registered as requested by the Sellers. The Bank shall deliver such Bangor Punta securities and/or cash to the Sellers;

B. Upon being advised by Bangor Punta of the exchange offer each Seller owning Pledged Shares agrees to either (i) discharge the indebtedness relating to such shares so that they may be submitted by the Bank to Bangor Punta for Bangor Punta securities and/or cash (ii) to arrange with the lender holding such securities for the submission thereof to Bangor Punta for such Bangor Punta securities and/or cash.

5. Further Exchange Offer Subsequent to the Exchange Offer, Bangor Punta agrees to make a further offer to the then holders of all issued and outstanding shares of Apple Common Stock to exchange Bangor Punta securities and/or cash for such stock on a basis equivalent to the exchange offer.

6. Representations and Warranties Each of the Sellers hereby represents and warrants as to himself that; (i) such Seller owns and has full legal title to all the shares of Apple listed alongside his name on Schedule 1 free and clear of all liens, charges or encumbrances except in the case of shares listed on Schedule 2 and that in the case of shares listed on Schedule 2 there are no liens, charges or en-

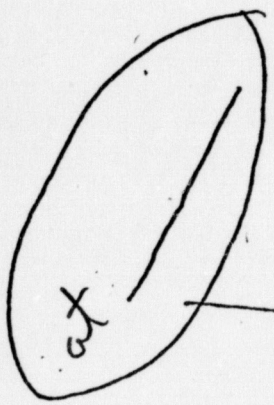
cumbrances as to such shares which have not been disclosed to Bangor Punta; (ii) the shares of Common Stock of Apple set out in Schedule 1 alongside such Seller's name represent all such shares owned beneficially or of record by such Seller and that the Proxy delivered by such Seller as to such shares is valid and binding on such Seller and the shares and Proxies delivered by such Seller have been validly executed by the owner of record on the books of Apple of such shares; (iii) this Agreement is a valid and binding obligation of such Seller enforceable in accordance with its terms; (iv) the making and performance of this Agreement and the sale of the Apple Common Stock contemplated hereby have been duly authorized by all necessary action, are within the powers of such Seller, and will not violate or constitute a default under any agreement or instrument, including in the case of a Seller which is a corporation it Certificate of Incorporation and By-Laws, by which such Seller is bound or affected; (v) the Apple shares of such Seller are, as to those presently owned, and will be, as to those owned hereafter, duly and validly issued, full paid and nonassessable and not liable to further call, and are or will be duly listed on the New York Stock Exchange.

7. No Disposition Each of the Sellers hereby agrees that he will not sell, assign, pledge or otherwise dispose of any shares of Apple (including specifically without limitation, a tender of such shares to any person pursuant to a tender offer) now owned or hereinafter acquired by him prior to the termination of the Escrow established hereby, except in accordance with the terms hereof;

8. Conduct Pending Termination Prior to the termination of the Escrow established hereby each of the Sellers hereby agrees as a shareholder of Apple and in the case of an officer or director of Apple as such officer and director to use his best efforts to cause Apple and each of its subsidiaries (i) to conduct its business in its ordinary course; (ii) to preserve intact its business organization; (iii) to keep available the services of its present employees (iv) to maintain satisfactory relationships with its suppliers, customers and others having business relations with it; (v) not to change its Certificate of Incorporation or By-Laws in a manner requiring consent of its shareholders and (vi) not to issue any shares of its Stock in addition to those issued and outstanding on the date hereof;

9. Binding Effect This Agreement shall be binding upon and inure to the benefit of each of the undersigned, their heirs, legal representatives, distributees, successors, and assigns;

10. Notices Notices given hereunder shall be deemed sufficient if in writing and delivered by hand or sent certified or registered mail, if to Bangor Punta at its address set forth above, attention of the secretary, if to the Bank, and if to the Sellers c/o the Agent at



_____.

11. Counterparts This Agreement may be executed by the Sellers in any number of counterparts, each of which shall be deemed an original; and execution by Bangor Punta of any one such counterpart shall be deemed acceptance hereof as to a counterparts heretofore or hereafter signed by the Sellers and delivered to Bangor Punta.

12. Governing Law This Agreement is to be governed by and construed in accordance with the laws of

_____.

IN WITNESS WHEREOF the parties hereto, intending to be legally bound have executed this Agreement as of the date first above written.

BANGOR PUNTA CORPORATION

_____(Seal)

By_____
(Seal)

_____(Seal)

_____(Seal)

_____(Seal)

_____(Seal)

PLAINTIFF'S EXHIBIT 54

AGREEMENT

Agreement dated as of May , 1969 between the signing shareholders listed in Schedule 1 hereto ("Sellers") of Piper Aircraft Corporation, a Pennsylvania corporation having an office in Lock Haven, Pennsylvania ("Piper"), and Bangor Punta Corporation, a Delaware corporation having an office at 405 Park Avenue, New York, New York ("Bangor Punta"),

W I T N E S S E T H :

WHEREAS, Bangor Punta will attempt to acquire for cash from third parties 300,000 or more shares of Piper Common Stock; and

WHEREAS, Sellers own shares of Piper Common Stock in the amounts indicated opposite their names on Schedule 1 hereto; and

WHEREAS, Sellers have agreed to exchange their shares of Piper Common Stock for Bangor Punta securities on the terms and conditions herein described; and

WHEREAS, Sellers have agreed to deposit their shares of Piper Common Stock in escrow with First National Bank of Lock Haven ("the Bank") together with irrevocable proxies;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and

1/30/69

sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Escrow. (A) Each of Sellers has simultaneously herewith delivered to the Bank a certificate or certificates representing the number of shares of Piper Common Stock indicated opposite his name on Schedule 1 (such certificates together with any other certificates of Piper Common Stock delivered to the Bank pursuant hereto being termed herein "the Certificates") together with an irrevocable proxy coupled with an interest (such proxy, to be in the form attached hereto as Exhibit A, together with any other proxies delivered to the Bank pursuant hereto being termed herein "the Proxies") appointing Nicolas M. Salgo, W. Gordon Robertson and David W. Wallace as proxies for such Seller, except that as to the number of shares of Piper Common Stock indicated opposite the name of any Seller on Schedule 2 hereto, which are presently pledged to commercial lenders ("the Pledged Shares") as security for indebtedness of such Seller, only Proxies and not certificates are delivered to the Bank herewith. Each of the Certificates is endorsed in blank or is accompanied by a separate form of stock power executed in blank, in either case with the signature of the holder of record guaranteed by a bank or trust company that is a member, or a correspondent of a member, of the New York Clearing House, or by a firm having

membership in the New York Stock Exchange, in proper form to permit transfer of the shares represented thereby on the stock transfer records of Piper. Each of the Proxies has been signed by the record owner of the Certificates to which it relates in the precise form in which such Certificates are registered on the stock transfer records of Piper.

(B) Upon receipt of the Certificates and the Proxies delivered herewith, the Bank and William T. Piper, Jr., who is hereby irrevocably designated the Agent ("the Agent") for the Sellers as to all matters and controversies relating to this Agreement, will execute and deliver a letter agreement in the form set forth in Exhibit B hereto.

(C) Until terminated in accordance with the terms of this Agreement, the Escrow established hereby for the express benefit of Bangor Punta and Sellers is irrevocable. The obligations and authorizations of Sellers hereunder will not be terminated by operation of law or the occurrence of any event not prescribed by this contract, including the death or incompetency of any of Sellers, or, in the case of a trust, the death or substitution of any trustee or trustees or the termination of such trust, or, in the case of an estate, the death or substitution of any executor or administrator; and if any such event occurs with respect to any Seller before the release from the Escrow hereunder of the Certificates representing the shares owned by such Seller and/or the related Proxies, the Bank is hereby authorized and instructed to hold and dispose of such Certificates

and/or Proxies in accordance with the terms and conditions hereof as if such event had not occurred irrespective of whether the Bank shall have received notice of such event.

(D) Sellers whose names are listed on Schedule 2 agree to take all necessary action to prevent foreclosure of the Pledged Shares by the lenders holding them as security. Each of such Sellers has arranged with the lender or lenders holding his Pledged Shares as security for his indebtedness as set out in letter agreements from each such lender to Bangor Punta in the form of Exhibit C hereto as follows (i) if, at any time prior to the date of the Exchange Offer referred to in Section 4, any indebtedness for which Pledged Shares are held as security is discharged or reduced to such extent that any or all such shares are released by such lender, certificates for such shares of Piper Common Stock will be delivered by such lender to the Bank to be held in accordance with this Agreement; (ii) all Pledged Shares held as security for any indebtedness by such lender on the effective date of the Exchange Offer referred to in Section 4 will be delivered to the Bank in exchange for the appropriate Bangor Punta securities and/or cash issuable or payable on account of such Piper Common Stock in connection with such Exchange Offer, such Bangor Punta securities and/or cash to be thereupon substituted for the Pledged Shares held by such lender as security; and (iii) such lender will advise Bangor Punta in advance of any intended foreclosure of the Pledged

Shares and before any disposition of any of such Pledged Shares in the course of foreclosure such lender will either exchange such Pledged Shares for the Bangor Punta securities and/or cash issuable or payable pursuant to the Exchange Offer or offer such shares to Bangor Punta for purchase at the then market price thereof. Upon receipt of any such certificates for Pledged Shares the Bank will notify such Seller and Bangor Punta of such fact, and such Seller will take any action necessary to put such certificates into the form specified in paragraph (A) of this Section 1.

(E) Each of Sellers (i) will not directly or indirectly, prior to the termination of the Escrow established hereby, purchase additional shares of Piper Common Stock except upon exercise of options presently outstanding and (ii), in the event that he becomes owner by any means of any additional shares of Piper Common Stock, will deposit with the Bank the certificates representing such shares, a proxy in the form set forth in Exhibit A and all other documents necessary to insure that such shares will be subject in all respects to this Agreement as if originally listed on Schedule 1.7

(F) Upon receipt by the Bank of written advice from Piper that its Common Stock has been the subject of a split, reverse split or other reclassification rendering the Certificates obsolete, the Bank shall surrender the Certificates to Piper upon the

receipt by the Bank of new Certificates appropriately registered and in appropriate denominations, accompanied by a certification by the Agent that such new Certificates correctly represent the interests of the respective Sellers in accordance with such reclassification. Upon receipt by the Bank of such new Certificates the Bank will so advise Sellers and Bangor Punta, and Sellers hereby agree to promptly furnish the Bank with stock powers relating thereto executed in blank and with signatures guaranteed as provided in paragraph (A) of this Section 1. Reclassified securities received by the Bank as above provided shall be deemed to constitute the Piper Common Stock of Sellers for purposes of this Agreement.

(G) Sellers will pay to the Bank its reasonable and customary fees for the services to be rendered by it and will reimburse it for reasonable expenses incurred in connection therewith and for any transfer taxes payable in respect of the Piper Common Stock, all in proportion to their respective holdings thereof.

Section 2. Private Purchase. (A) Approximately 150,000 shares of Piper Common Stock are understood to be owned in substantial blocks by one or more investors for resale. Bangor Punta will use its best efforts either to purchase such shares or to obtain from such investors an option to purchase such shares at a future date; provided, however, that (i) in no event will Bangor Punta be obligated

to pay for such shares an average price (including the di- [illegible] exercising any option) in excess of [illegible] per share and (ii) Bangor Punta will not purchase, or obtain options on, less than 150,000 shares without first obtaining the consent of the Agent.

(B) As an inducement to Bangor Punta to make such purchase or obtain such option, those Sellers listed on Schedule 3 hereto agree jointly and severally that, in the event Bangor Punta accepts no shares of Piper Common Stock tendered pursuant to the Tender Offer described in Section 3 because fewer than the specified number are tendered, all shares of Piper Common Stock or options therefor purchased under paragraph (A) of this Section 2 will be deemed then and thereafter (but not until then) to have been acquired one-half for the account of such Sellers. In such event, such Sellers will share with Bangor Punta, as provided in the next sentence, (i) any loss sustained between the date of any acquisition of such shares or option and the effective date of the Exchange Offer referred to in Section 4 hereof resulting from (a) the disposition of up to 150,000 shares of Piper Common Stock acquired in accordance with paragraph (A) of this Section 2 and/or (b) arising out of the acquiring of an option to acquire up to such 150,000 shares (provided, however, that in no event will such Sellers share in any losses involving more than 150,000 such shares and such shares shall include the shares acquired for the account of such Sellers as above provided) and (ii) the other direct costs and expenses

during the period ending with the expiration of the Tender Offer [illegible] of Bangor Punta's purchase of or obtaining of any option on up to 150,000 shares of Piper Common Stock referred to in paragraph (A) of this Section 2, including in such direct costs and expenses, without limitation, all out-of-pocket costs of Bangor Punta arising out of any indebtedness incurred to purchase such shares or to obtain the option to purchase such shares. Interest, actual or imputed, on amounts required by any lenders as compensating balances shall also be included in such costs. Bangor Punta will bear 50% of such losses, costs and expenses, and those Sellers listed on Schedule 3 hereto will jointly and severally bear 50% of such losses, costs and expenses (with mutual rights of contribution among such Sellers in the proportions stated on Schedule 3). Upon determining as aforesaid not to accept any Piper Common Stock tendered pursuant to its Tender Offer described in Section 3, Bangor Punta will use its best efforts, with prior disclosure to the Agent of plans proposed and steps to be taken, to dispose of any Piper Common Stock acquired by it as a result of the purchase referred to in paragraph (A) of this Section 2 so as to minimize any loss. Upon effecting such disposition, or if Bangor Punta has obtained an option to acquire such shares and has determined not to exercise such option, upon such determination, Bangor Punta will advise those Sellers listed on Schedule 3 in writing and

and expenses incurred, and such Sellers will within [illegible] days

197 pay Bangor Punta their respective shares of such costs and expenses.

(C) If Bangor Punta's efforts under paragraph (A) of this Section 2 are unsuccessful and the Agent shall not have consented as provided in such paragraph, then the Escrow and this Agreement shall terminate forthwith, without further action by Bangor Punta or Sellers.

Section 3. Tender Offer. (A) If Bangor Punta's best efforts under paragraph (A) of Section 2 are successful or if the Agent consents under paragraph (A)(ii) of Section 2 and Bangor Punta determines to acquire the shares or options on the shares covered by such consent, then promptly thereafter Bangor Punta will make a public cash tender offer ("the Tender Offer"), at a price of $80 per share, for a specified number of shares of Piper Common Stock equal to 821,000 shares minus the sum of (i) the number of shares purchased or placed under option pursuant to paragraph (A) of Section 2 and (ii) the total number of shares covered by the terms of Section 1 hereof. The Tender Offer will provide that Bangor Punta shall have the right to refuse to accept all shares if less than the specified number are tendered, but otherwise Bangor Punta will be obligated to accept shares tendered thereunder. The Tender Offer will not contain any unusual provisions likely to affect adversely the success of the offer and will contain provisions for acceptance and rejection that are consistent with the rights of Sellers under paragraph (B) of this Section 3. Sellers will take all reasonable steps to assist Bangor Punta in making the Tender Offer and assuring its success.

(B) In the event that (i) less than the specified number of shares are tendered pursuant to the Tender Offer and (ii) Bangor Punta thereupon determines not to accept the shares so tendered, Bangor Punta will notify the Agent, and thereupon those Sellers listed in Schedule 3 will have the right, exercisable by notice from the Agent to Bangor Punta within _____ days, to cause Bangor Punta to sell to such Sellers or their designees, in addition to transferring the shares acquired for the account of such Sellers pursuant to paragraph (B) of Section 2, all shares purchased or covered by option by Bangor Punta for its own account pursuant to Section 2 and also, at such Sellers' option, all shares tendered pursuant to the Tender Offer. For purposes of such sale Bangor Punta may exercise any non-transferable option and will timely exercise any option that might otherwise expire before completion of the transfer thereof to Sellers or their designees. The price for such sale and transfer will be Bangor Punta's total direct cost of acquiring such shares and/or options, including without limitation all out-of-pocket costs of Bangor Punta arising out of any indebtedness incurred to purchase such shares or to obtain the option to purchase such shares. Interest, actual or imputed, on amounts required by any lenders as compensating balances shall also be included in such costs. Such price will be paid by such Sellers to Bangor Punta within ____ days after exercising their right of purchase under this paragraph (B).

Upon such payment such Sellers shall have no further liability to Bangor Punta under paragraph (B) of Section 2 and the Escrow will terminate forthwith without further action by Bangor Punta or Sellers.

(C) In the event that (i) less than the specified number of shares are tendered pursuant to the Tender Offer, (ii) Bangor Punta thereupon determines not to accept the shares so tendered and (iii) the right of purchase and transfer provided for in paragraph (B) above is not exercised, then Bangor Punta will notify the Bank of such facts, and thereupon the Escrow will terminate and the Bank will deliver the Certificates and the Proxies to Sellers other than those Sellers listed in Schedule 3. With respect to those Sellers listed in Schedule 3, the Bank will not deliver the Certificates deposited by such Sellers but will hold such Certificates until Bangor Punta has received the amount, if any, payable by such Sellers in respect of the losses, costs and expenses referred to in paragraph (B) of Section 2, whereupon such Certificates will be delivered to such Sellers; and if Bangor Punta shall not receive the amount payable by any Sellers in respect of such losses, costs and expenses within the 30-day period specified in paragraph (B) of Section 2, the Bank will deliver to Bangor Punta the Certificates deposited by such Sellers and any additional Certificates requested by Bangor Punta, to be sold and the proceeds applied by Bangor

Punta to the amounts owed it by such Sellers, who will nevertheless remain liable jointly with the other Sellers listed on Schedule 3 for any deficiency; and any such shares delivered to but not disposed of by Bangor Punta and any excess over the amount due to Bangor Punta that is realized in connection with any such sale of shares by Bangor Punta will be returned promptly or remitted to the Bank. Any Piper Common Stock not disposed of to satisfy the amount due Bangor Punta as hereinabove expressly provided shall be delivered to the Seller originally placing it in Escrow. Bangor Punta shall have no obligation to pro-rate among Sellers any disposition by it of Piper Common Stock or to aid in obtaining contribution, and may sell at its absolute discretion any and all Piper Common Stock necessary to obtain the amount due it. As between Sellers listed on Schedule 3, each shall have a right of contribution from the other to the end that his payments in respect of losses, costs and expenses referred to in paragraph (B) of Section 2 shall not exceed the percentage thereof set forth opposite his name on Schedule 3.

4. Exchange Offer. (A) In the event that Bangor Punta determines to accept the shares tendered pursuant to the Tender Offer, it will so notify the Bank and the Agent. In addition, in such event Bangor Punta will as soon as practicable thereafter submit to a meeting of its shareholders a proposal for an exchange offer ("the

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Exchange Offer") as hereinafter described and will use its best efforts to obtain the necessary shareholder and governmental approval therefor. The Exchange Offer will be for the shares of Piper Common Stock of Sellers (and may, but need not, include the shares of Piper Common Stock of other shareholders of Piper) and will provide that in exchange for each such share there will be delivered:

(i) three Bangor Punta Warrants -- Series C, expiring March 31, 1981, each entitling the holder to purchase one share of Bangor Punta Common Stock at a price of $55 a share;

(ii) 1.35 shares of Bangor Punta Common Stock, par value $1 per share, and

(iii) $15 principal amount of a new Bangor Punta 5% 30-year Convertible Debenture, convertible into 2.5 shares of Bangor Punta Common Stock for each $100 principal amount;

(collectively below called "the Original Securities") or if the condition below described is met, then in the alternative

(a) one or any greater number, including fractional numbers, of Bangor Punta Warrants -- Series C, expiring March 31, 1981, each entitling the holder to purchase one share of Bangor Punta Common Stock at a price of $55 a share,

(b) one or any greater number, including fractional numbers, of shares of Bangor Punta Common Stock, par value $1 per share, and

(c) $15 principal amount of a new Bangor Punta 30-year Convertible Debenture, convertible into not less than 2 shares of Bangor Punta Common Stock for each $100 principal amount and bearing interest at a rate sufficient to yield on such $15 principal amount $1.40 minus the annual dividend (for Bangor Punta's most recently completed fiscal year) on the number of shares of Bangor Punta Common Stock to be delivered under (b) above

(collectively below called "the Alternate Securities"). It will be a condition to Bangor Punta's right to use the Alternate Securities in lieu of the Original Securities in making the Exchange Offer that (1) the fair market value of the Original Securities shall be more than $90 when determined by reference to (x) the average of the closing prices of Bangor Punta Common Stock on the New York Stock Exchange on the first ten of the twenty trading days immediately preceding the opening date of the Exchange Offer; (y) the average of the closing prices of Bangor Punta Warrants -- Series C as officially reported for the same ten trading days; and (z) the opinion of The First Boston Corporation as to the predicted fair market value of $15 principal amount of the Convertible Debentures included in the Original Securities; and (2) the fair market value of the Alternate Securities shall be at least $80 when determined in the same manner as above specified for the determination of the value of the Original Securities. If the fair market value of the Original Securities determined as above provided is less than $70, Bangor Punta will be obligated either (i) to determine upon and to use the Alternate Securities as aforesaid, in which event the fair market value of the Alternate Securities when determined in the

same manner as above specified for the case of the Original Securities must be at least $80, or (ii) to employ the Second Alternative below described.

(B) As a second alternative (herein called "the Second Alternative"), Bangor Punta may offer other securities of Bangor Punta and/or cash, the value of which, in the written opinion of The First Boston Corporation addressed to Sellers with a copy to Bangor Punta, is either equivalent to the value of the Original Securities, (but only if such value is greater than $70) or is at least $80. The Second Alternative may not include for each share of Piper Common Stock warrants to purchase more than 3 shares of Bangor Punta Common Stock, regardless of series, and shall not include any other non-voting equity securities of Bangor Punta or any non-convertible securities.

(C) Sellers will cooperate with Bangor Punta in obtaining any governmental approval appropriate in connection with the making of the Exchange Offer and in connection with the issuance of the Bangor Punta securities issuable as part of such offer. Following receipt of the necessary governmental and shareholder approvals, Bangor Punta promptly will notify the Agent and the Bank of the opening date of the Exchange Offer, which will be not more than 15 days thereafter. Upon being advised by Bangor Punta of the opening date of the Exchange Offer, the Bank will as soon as practicable after such date deliver to Bangor Punta the Certificates and the Proxies, and Bangor Punta will in ex-

change thereof deliver to the Bank its securities registered as requested by the respective Sellers and/or cash, all as due upon such exchange; provided, however, that in the event of the substitution of the Alternate Securities for the Original Securities or of securities and/or cash as provided in the Second Alternative, the Bank shall first have been advised by The First Boston Corporation that the conditions and requirements of this Section 4 pertaining to such substitution have been complied with. Promptly thereafter the Bank will deliver such Bangor Punta securities and/or cash to the Sellers, and the Escrow will terminate. If Bangor Punta is unable, for any reason other than an adverse vote by Bangor Punta shareholders, to consummate the Exchange Offer within 6 months after notice to the Agent that it has completed its best efforts to consummate the Exchange Offer, then it shall so notify the Bank and thereupon the provisions of paragraph (B) of Section 2 thereof shall apply as if there had been a timely notice by Bangor Punta to the Bank that it had elected not to purchase Piper shares tendered pursuant to the Tender Offer; provided, however, that the date by which such consummation is to be effected shall be extended by a period, if any, equal to the time during which Bangor Punta, Sellers, Piper, the Bank or the Agent is restrained, prohibited or otherwise prevented from carrying out the provisions of this Agreement by any investigation, suit, action or other proceeding, threatened or pending before

any court, governmental body or regulatory agency (including, without limitation, any stock exchange the rules of which apply to any of such persons).

(D) If the necessary shareholder approval of Bangor Punta for the Exchange Offer is not given at the meeting thereon, the Escrow will terminate forthwith without further action by Bangor Punta or Sellers.

Section 5. Further Exchange Offer. Simultaneously with or within 2 years after the Exchange Offer described in Section 4, Bangor Punta will seek appropriate shareholder and regulatory approvals for, and if obtained will make, an exchange offer to all other holders of issued and outstanding shares of Piper Common Stock to exchange such shares for Bangor Punta securities and/or cash having a fair market value equivalent to or greater than the fair market value of the securities and/or cash used in the Exchange Offer described in Section 4. Such 2-year period shall be appropriately extended under any circumstances that would have resulted in an extension of time under the last sentence of paragraph (C) of Section 4.

Section 6. Representations and Warranties. Each of Sellers hereby represents and warrants as to himself that: (i) such Seller owns and has full legal title to the number of shares of Piper Common Stock indicated opposite his name on Schedule 1, free and clear of all liens, charges

or encumbrances except in the case of shares listed on Schedule 2 and that in the case of shares listed on Schedule 2 there are no liens, charges or encumbrances as to such shares that have not been disclosed to Bangor Punta in writing on such Schedule; (ii) the number of shares of Piper Common Stock indicated opposite such Seller's name on Schedule 1 represents all shares of Piper Common Stock owned of record by such Seller, the proxy delivered by such Seller as to such shares is valid and binding on such Seller and such proxy and the endorsements or stock powers delivered by such Seller have been validly executed by the owner of record of such shares; (iii) this Agreement is a valid and binding obligation of such Seller enforceable in accordance with its terms; (iv) the making and performance of this Agreement and the sale of the Piper Common Stock contemplated hereby have been duly authorized by all necessary action, are within the powers of such Seller, and will not violate or constitute a default under any agreement or instrument, including in the case of a Seller that is a corporation its Certificate of Incorporation and By-Laws, by which such Seller is bound or affected; (v) the shares of Piper Common Stock of such Seller are, as to those presently owned, and will be, as to those owned hereafter, duly and validly issued, fully paid and non-assessable and not liable to further call, and are or will be duly listed on

the New York Stock Exchange; (vi) the shares of Piper Common Stock of such Seller are freely transferable by him to Bangor Punta for investment (and not with a view to distribution) as provided in this Agreement without prior governmental approval or permission; and (vii) to the knowledge of such Seller the execution and the delivery of this Agreement, the Certificates and the Proxies will not violate or constitute a breach of any statute or other governmental regulation and there is no suit, action or other proceeding pending or threatened which would affect the enforceability of this Agreement.

Section 7. No Disposition. No Seller will sell, assign, pledge or otherwise dispose of (including specifically, without limitation, by tender of such shares to any person pursuant to a tender offer or exchange offer) any shares of Piper Common Stock now owned or hereafter acquired by him prior to the termination of the Escrow established hereby, except in accordance with the terms hereof.

Section 8. Conduct Pending Termination. Prior to the termination of the Escrow established hereby, each Seller will use his best efforts as a shareholder of Piper to cause Piper (i) to conduct its business in its ordinary course; (ii) to preserve intact its business organization; (iii) to keep available the services of its present employees; (iv) to maintain satisfactory relationships with

its suppliers, customers and others having business relations with it; (v) not to change its Articles of Incorporation or By-Laws in a manner requiring consent of its shareholders; and (vi) not to issue any shares of its stock in addition to those issued and outstanding on the date hereof, except upon exercise of options previously issued or authorized for issuance.

Section 9. Binding Effect. This Agreement will be valid and binding when counterparts are signed by Bangor Punta and any one or more of Sellers; provided, however, that if counterparts of this Agreement shall not have been signed before 5:00 P.M. on May 9, 1969 by Sellers owning more than 501,000 shares of Piper Common Stock, it will be and become void ab initio and no party hereto theretofore or thereafter signing any counterpart will have any right or obligation hereunder except, in the case of Sellers, a right to the return of the Certificates and the Proxies deposited hereunder. This Agreement will be binding upon and inure to the benefit of each of the undersigned, their heirs, legal representatives, distributees, successors and assigns; provided, however, that no assignment by Bangor Punta of any of its rights under this Agreement, except an assignment by operation of law, shall be valid or effective without the prior written consent of the Agent.

Section 10. Miscellaneous. (A) Notices given hereunder will be deemed sufficient if in writing and delivered by hand or sent certified or registered mail, if to Bangor Punta at its address set forth above, attention of the Secretary, if to the Bank at _____, and if to Sellers, c/o W. T. Piper, Jr., Piper Aircraft Corporation, 820 East Bald Eagle Street, Lock Haven, Pennsylvania, 17745.

(B) If any provision of this Agreement shall be finally declared invalid by a court of competent jurisdiction, without further right of appeal, this Agreement shall be voided in its entirety except for the provisions of paragraph (B) of Section 2, which provisions shall survive and be enforceable by or on behalf of Bangor Punta, its successor and its assigns.

(C) The representations and warranties of the parties to this Agreement shall survive the complete performance of this Agreement for the full period of any applicable statute of limitations.

(D) Headings used herein are for convenience only and shall not be used in construing any provision hereof.

(E) This Agreement may be executed by Sellers in any number of counterparts, each of which shall be deemed an original; and execution by Bangor Punta of any one such counterpart will be deemed acceptance hereof as to all counterparts heretofore or hereafter signed by Sellers and delivered to Bangor Punta.

(F) This Agreement is to be governed by and construed in accordance with the law of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

BANGOR PUNTA CORPORATION

By_____

[Seal]

_____(L.S.)

_____(L.S.)

_____(L.S.)

_____(L.S.)

_____(L.S.)

PLAINTIFF'S
EXHIBIT 55

BPC 4

Rider 6A

and, if necessary in the opinion of Bangor Punta, with proxies for such shares all

Rider 6B

, and any consideration payable for such reclassified shares pursuant to this Agreement shall be the same as the consideration payable hereunder for such shares prior to reclassification.

Rider 6C

or to arrange with a third party for such purchase for the obtaining of such option or options.

Rider 7A

by Bangor Punta (but not by any such third party)

Rider 8A

, including without limitation interest

Rider 9A

to the purchase of less than 150,000 shares

Rider 9B

by itself or with the third party referred to in paragraph (A) of Section 2

Rider 9C

50.01% of the shares of Piper Common Stock then outstanding

Rider 9D

provided, however, that Bangor Punta will not be obligated to make the Tender Offer unless as of the date of the announcement of the Tender Offer no suit, action, investigation or other governmental proceeding (including without limitation action by any stock exchange) has been commenced or threatened that in the judgment of Bangor Punta would prevent the successful completion of the Tender Offer.

Rider 10A

and the third party referred to in paragraph (A) of Section 2

Rider 11A

, including without limitation interest

Rider 11B

and Bangor Punta will have no further liability to such Sellers.

Rider 20A

and the execution, delivery and transfer of

Rider 21A

Section 8. Registration. In the event that any contemplated disposition of Piper Common Stock by Bangor Punta, and/or the third party referred to in paragraph (A) of Section 2, requires registration with or approval by the Securities and Exchange Commission or any other governmental or administrative agencies, the Sellers agree (i) to cooperate with Bangor Punta and/or such third party in effecting such registration or approval, including without limitation the assignment to Bangor Punta and/or such third party of any rights of such Sellers to cause Piper to register such securities or obtain such approval, and (ii) to share Bangor Punta's cost thereof as provided in paragraph (B) of Section 2. The obligations of this Section 8 shall survive the termination of this Agreement and the Sellers will pay any amounts due hereunder promptly upon demand.

Rider 22A

or to a wholly-owned subsidiary of Bangor Punta,

Rider 22B

(B) If any provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision hereof shall be valid and enforced to the fullest extent permitted by law.

PLAINTIFF'S EXHIBIT 35

AGREEMENT

Agreement dated as of May , 1969 between the signing shareholders listed in Schedule 1 hereto ("Sellers") of Piper Aircraft Corporation, a Pennsylvania corporation having an office in Lock Haven, Pennsylvania ("Piper"), and Bangor Punta Corporation, a Delaware corporation having an offiice at 405 Park Avenue, New York, New York ("Bangor Punta"),

W I T N E S S E T H :

WHEREAS, Bangor Punta will attempt to acquire for cash from third parties 300,000 or more shares of Piper Common Stock; and

WHEREAS, Sellers own shares of Piper Common Stock in the amounts indicated opposite their names on Schedule 1 hereto; and

WHEREAS, Sellers have agreed to exchange their shares of Piper Common Stock for Bangor Punta securities on the terms and conditions herein described; and

WHEREAS, Sellers have agreed to deposit their shares of Piper Common Stock in escrow with First National Bank of Lock Haven ("the Bank") together with irrevocable proxies;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and

sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Escrow. (A) Each of Sellers has simultaneously herewith delivered to the Bank a certificate or certificates representing the number of shares of Piper Common Stock indicated opposite his name on Schedule 1 (such certificates together with any other certificates of Piper Common Stock delivered to the Bank pursuant hereto being termed herein "the Certificates") together with an irrevocable proxy coupled with an interest (such proxy, to be in the form attached hereto as Exhibit A, together with any other proxies delivered to the Bank pursuant hereto being termed herein "the Proxies") appointing Nicolas M. Salgo, W. Gordon Robertson and David W. Wallace as proxies for such Seller, except that as to the number of shares of Piper Common Stock indicated opposite the name of any Seller on Schedule 2 hereto, which are presently pledged to commercial lenders ("the Pledged Shares") as security for indebtedness of such Seller, only Proxies and not certificates are delivered to the Bank herewith. Each of the Certificates is endorsed in blank or is accompanied by a separate form of stock power executed in blank, in either case with the signature of the holder of record guaranteed by a bank or trust company that is a member, or a correspondent of a member, of the New York Clearing House, or by a firm having

membership in the New York Stock Exchange, in proper form to permit the transfer of the shares represented thereby on the stock transfer records of Piper. Each of the Proxies has been signed by the record owner of the Certificates to which it relates in the precise form in which such Certificates are registered on the stock transfer records of Piper.

(B) Upon receipt of the Certificates and the Proxies delivered herewith, the Bank and William T. Piper, Jr., who is hereby irrevocably designated the Agent ("the Agent") for the Sellers as to all matters and controversies relating to this Agreement, will execute and deliver a letter agreement in the form set forth in Exhibit B hereto.

(C) Until terminated in accordance with the terms of this Agreement, the Escrow established hereby for the express benefit of Bangor Punta and Sellers is irrevocable. The obligations and authorizations of Sellers hereunder will not be terminated by operation of law or the occurrence of any event not prescribed by this ~~contract~~ Agreement, including the death or incompetency of any of Sellers, or, in the case of a trust, the death or substitution of any trustee or trustees or the termination of such trust, or, in the case of an estate, the death or substitution of any executor or administrator; and if any such event occurs with respect to any Seller before the release from the Escrow hereunder of the Certificates representing the shares owned by such Seller and/or the related Proxies, the Bank is hereby authorized and instructed to hold and dispose of such Certificates

and/or Proxies in accordance with the terms and conditions hereof as if such event had not occurred irrespective of whether the Bank shall have received notice of such event.

(D) Sellers whose names are listed on Schedule 2 agree to take all necessary action to prevent foreclosure of the Pledged Shares by the lenders holding them as security. Each of such Sellers has arranged with the lender or lenders holding his pledged Shares as security for his indebtedness as set out in letter agreements from each such lender to Bangor Punta in the form of Exhibit C hereto as follows, (i) if, at any time prior to the date of the Exchange Offer referred to in Section 4, any indebtedness for which Pledged Shares are held as security is discharged or reduced to such extent that any or all such shares are released by such lender, certificates for such shares of Piper Common Stock will be delivered by such lender to the Bank to be held in accordance with this Agreement; (ii) all Pledged Shares held as security for any indebtedness by such lender on the effective date of the Exchange Offer referred to in Section 4 will be delivered to the Bank in exchange for the appropriate Bangor Punta securities and/or cash issuable or payable on account of such Piper Common Stock in connection with such Exchange Offer, such Bangor Punta securities and/or cash to be thereupon substituted for the Pledged Shares held by such lender as security; and (iii) such lender will advise Bangor Punta in advance of any intended foreclosure of the Pledged

Shares and beofre any disposition of any of such Pledged Shares in the course of foreclosure such lender will either exchange such Pledged Shares for the Bangor Punta securities and/or cash issuable or payable pursuant to the Exchange Offer or offer such shares to Bangor Punta for purchase at the then market price thereof. Upon receipt of any such certificates for Pledged Shares the Bank will notify such Seller and Bangor Punta of such fact, and such Seller will take any action necessary to put such certificates into the form specified in paragraph (A) of this Section 1.

(E) Each of Sellers (i) will not directly or indirectly, prior to the termination of the Escrow established hereby, purchase additional shares of Piper Common Stock except upon exercise of options presently outstanding and (ii), in the event that he becomes owner by any means of any additional shares of Piper Common Stock, will deposit with the Bank the certificates representing such shares, a proxy in the form set forth in Exhibit A and all other documents necessary to insure that such shares will be subject in all respects to this Agreement as if originally listed on Schedule 1.

(F) Upon receipt by the Bank of written advice from Piper that its Common Stock has been the subject of a split, reverse split or other reclassification rendering the Certificates obsolete, the Bank shall surrender the Certificates to Piper upon the receipt by the Bank

of new Certificates appropriately registered and in appropriate denominations, accompanied by a certification by the Agent that such new Certificates correctly represent the interests of the respective Sellers in accordance with such reclassification. Upon receipt by the Bank of such new Certificates the Bank will so advise Sellers and Bangor Punta, and Sellers hereby agree to promptly furnish the Bank with stock powers relating thereto executed in blank and with signatures guaranteed as provided in paragraph (A) of this Section 1. Reclassified securities received by the Bank as above provided shall be deemed to constitute the Piper Common Stock of Sellers for purposes of this Agreement.

Rider 6

Rider 6

(G) Sellers will pay to the Bank its reasonable and customary fees for the services to be rendered by it and will reimburse it for reasonable expenses incurred in connection therewith and for any transfer taxes payable in respect of the Piper Common Stock, all in proportion to their respective holdings thereof.

Section 2. Private Purchase. (A) Approximately 150,000 shares of Piper Common Stock are understood to be owned in substantial blocks by one or more investors for resale. Bangor Punta will use its best efforts either to purchase such shares or to obtain from such investors an option to purchase such shares at a future date; provided, however, that (i) in no event will Bangor Punta be obligated

Rider 6

or such third party

to pay for such shares an average price (including the direct cost of acquiring and exercising any option) in excess of $80.50 per share and (ii) Bangor Punta will not purchase, or obtain options on, less than 150,000 shares without first obtaining the consent of the Agent.

(B) As an inducement to Bangor Punta to make such purchase or obtain such option, those Sellers listed on Schedule 3 hereto agree jointly and severally that, in the event Bangor Punta accepts no shares of Piper Common Stock tendered pursuant to the Tender Offer described in Section 3 because fewer than the specified number are tendered, all shares of Piper Common Stock or options therefor purchased under paragraph (A) of this Section 2 will be deemed then and thereafter (but not until then) to have been acquired one-half for the account of such Sellers. In such event, such Sellers will share with Bangor Punta, as provided in the next sentence, (i) any loss sustained between the date of any acquisition of such shares or option and the effective date of the Exchange Offer referred to in Section 4 hereof resulting from (a) the disposition of up to 150,000 shares of Piper Common Stock acquired in accordance with paragraph (A) of this Section 2 and/or (B) arising out of the acquiring of an option to acquire up to such 150,000 shares (provided, however, that in no event will such Sellers share in any losses involving more than 150,000 such shares and such shares shall include the shares acquired for the account of such Sellers as above provided) and (ii) the other direct costs and expenses

during the period ending with the expiration of the Tender Offer growing out of Bangor Punta's purchase of or obtaining of any option on up to 150,000 shares of Piper Common Stock referred to in paragraph (A) of this Section 2, including in such direct costs and expenses, without limitation, all out-of-pocket costs of Bangor Punta arising out of any indebtedness incurred to purchase such shares or to obtain the option to purchase such shares. Interest, actual or imputed, on amounts required by any lenders as compensating balances, shall also be included in such costs. Bangor Punta will bear 50% of such losses, costs and expenses, and those Sellers listed on Schedule 3 hereto will jointly and severally bear 50% of such losses, costs and expenses (with mutual rights of contribution among such Sellers in the proportions stated on Schedule 3). Upon determining as aforesaid not to accept any Piper Common Stock tendered pursuant to its Tender Offer described in Section 3, Bangor Punta will use its best efforts, with prior disclosure to the Agent of plans proposed and steps to be taken to dispose of any Piper Common Stock acquired by it as a result of the purchase referred to in paragraph (A) of this Section 2 so as to minimize any loss. Upon effecting such disposition, or if Bangor Punta has obtained an option to acquire such shares and has determined not to exercise such option, upon such determination, Bangor Punta will

advise those Sellers listed on Schedule 3 in writing and in reasonable detail (with a copy to the Bank) of the costs and expenses involved, and such Sellers will within 30 days pay Bangor Punta their respective shares of such costs and expenses.

(C) If Bangor Punta's efforts under paragraph (A) of this Section 2 are unsuccessful and the Agent shall not have consented as provided in such paragraph, then the Escrow and this Agreement shall terminate forthwith, without further action by Bangor Punta or Sellers.

Section 3. Tender Offer. (A) If Bangor Punta's best efforts under paragraph (A) of Section 2 are successful or if the Agent consents under paragraph (A)(ii) of Section 2 and Bangor Punta determines to acquire the shares or options on the shares covered by such consent, then promptly thereafter Bangor Punta will make a public cash tender offer ("the Tender Offer"), at a price of $80 net per share, for a specified number of shares of Piper Common Stock equal to ~~821,000 shares~~ minus the sum of (i) the number of shares purchased or placed under option pursuant to paragraph (A) of Section 2 and (ii) the total number of shares covered by the terms of Section 1 hereof; The Tender Offer will provide that Bangor Punta shall have the right to refuse to accept all shares if less than the specified number are tendered, but otherwise Bangor Punta will be obligated to accept shares tendered thereunder. The Tender Offer will

not contain any unusual provisions likely to affect adversely the success of the offer and will contain provisions for acceptance and rejection that are consistent with the rights of Sellers under paragraph (B) of this Section 3. Sellers will take all reasonable steps to assist Bangor Punta in making the Tender Offer and assuring its success.

(B) In the event that (i) less than the specified number of shares are tendered pursuant to the Tender Offer and (ii) Bangor Punta thereupon determines not to accept the shares so tendered, Bangor Punta will promptly notify the Agent, and thereupon those Sellers listed in Schedule 3 will have the right, exercisable by notice from the Agent to Bangor Punta within two days, to cause Bangor Punta to sell to such Sellers or their designees, in addition to transferring the shares acquired for the account of such Sellers pursuant to paragraph (B) of Section 2, all shares purchased or covered by option by Bangor Punta for its own account pursuant to Section 2 and also, at such Sellers' option, all shares tendered pursuant to the Tender Offer. For purposes of such sale Bangor Punta may exercise any non-transferable option and will timely exercise any option that might otherwise expire before completion of the transfer thereof to Sellers or their designees. The price for such sale and transfer

or such third party's

will be Bangor Punta's total direct cost of acquiring such shares and/or options, including without limitation all out-of-pocket costs ~~of Bangor Punta~~ arising out of any indebtedness incurred to purchase such shares or to obtain the option to purchase such shares. Interest, actual or imputed, on Rider II amounts required by any lenders as compensa[illegible]ances shall also be included in such costs. Such price will be paid by such Sellers to Bangor Punta within ____ days after exercising their right of purchase under this paragraph (B). Upon such payment such Sellers and Bangor Punta shall have no further liability to each other ~~Bangor Punta~~ under paragraph (B) of Section 2 and the Escrow will terminate forthwith without further action by Bangor Punta or Sellers.

(C) In the event that (i) less than the specified number of shares are tendered pursuant to the Tender Offer, (ii) Bangor Punta thereupon determines not to accept the shares so tendered and (iii) the right of purchase and transfer provided for in paragraph (B) above is not exercised, then Bangor Punta will notify the Bank of such facts, and thereupon the Escrow will terminate ~~and~~ the Bank will deliver the Certificates and the Proxies to Sellers other than those Sellers listed in Schedule 3 Rider II With respect to those Sellers listed in Schedule 3, the Bank will not deliver the Certificates deposited by such Sellers but will hold such Certificates until Bangor Punta

has received the amount, if any, payable by such Sellers in respect of the losses, costs and expenses referred to in paragraph (B) of Section 2, whereupon such Certificates will be delivered to such Sellers; and if Bangor Punta shall not receive the amount payable by any Sellers in respect of such losses, costs and expenses within the 30-day period specified in paragraph (B) of Section 2, the Bank will deliver to Bangor Punta the Certificates deposited by such Sellers ~~and any additional Certificates requested by Bangor Punta~~, to be sold and the proceeds applied by Bangor Punta to the amounts owed it by such Sellers, who will nevertheless remain liable jointly and severally with the other Sellers listed on Schedule 3 for any deficiency; and any such shares delivered to but not disposed of by Bangor Punta and any excess over the amount due to Bangor Punta that is realized in connection with any such sale of shares by Bangor Punta will be returned promptly or remitted to the Bank. Any Piper Common Stock not disposed of to satisfy the amount due Bangor Punta as hereinabove expressly provided shall be delivered to the Seller originally placing it in Escrow. Bangor Punta shall have no obligation to pro-rate among Sellers any disposition by it of Piper Common Stock or to aid in obtaining contribution, and may sell at its absolute discretion any and all Piper Common Stock necessary to obtain the amount due it.

As between Sellers listed on Schedule 3, each shall have a right of contribution from the other to the end that his payments in respect of losses, costs and expenses referred to in paragraph (B) of Section 2 shall not exceed the percentage thereof set forth opposite his name on Schedule 3.

Section 4. Exchange Offer. (A) In the event that Bangor Punta determines to accept the shares tendered pursuant to the Tender Offer, it will so notify the Bank and the Agent. In addition, in such event Bangor Punta will as soon as practicable thereafter submit to a meeting of its shareholders a proposal for an exchange offer ("the Exchange Offer") as hereinafter described and will use its best efforts to obtain the necessary shareholder and governmental approval therefor. The Exchange Offer will be for all outstanding shares of Piper Common Stock.

(B) Under the Exchange Offer each share of Piper Common Stock will be exchanged for Bangor Punta securities, or for Bangor Punta securities and cash, having an estimated market value as at the Determination Date (as hereinafter defined) of $_____ and projected annual cash income from such securities of not less than $1.40 nor more than $1.55. The type and amount of such securities or the amount of such cash will be determined

by the First Boston Corporation ("First Boston") and set forth in an opinion to be delivered by First Boston to both the Agent and Bangor Punta to the effect that the terms of the Exchange Offer are fair and equitable to the shareholders of Piper and the shareholders of Bangor Punta. If First Boston is unable in its sole judgment to make such determination and deliver such an opinion, it will so notify Bangor Punta and the Agent; 120 days thereafter First Boston will again attempt to make such a determination and deliver such an opinion, and if First Boston is then unable to do so, it will so notify Bangor Punta and the Agent whereupon Bangor Punta will have no further obligation to make the Exchange Offer, and the Escrow will terminate forthwith without further action by Bangor Punta or Sellers. Based on market conditions in effect on the date of this Agreement, it is understood between Sellers and Bangor Punta that fair and equitable terms for the Exchange Offer would consist of $25 of Bangor Punta warrants, $15 of Bangor Punta convertible debentures and $45 of Bangor Punta common stock for each share of Piper Common Stock, but that if the price of Bangor Punta common stock goes above $37.50, the Bangor Punta common stock component would be increased by $5 and the Bangor Punta warrant component would be decreased by $5; however, in determining terms as aforesaid First Boston will not be

bound by this understanding. The Determination Date will be the date of First Boston's opinion, which will be not more than five days prior to the effective date of the Exchange Offer. In determining the estimated market value for purposes of the first sentence in this paragraph (B) and whether the price of Bangor Punta common stock is above $37.50, First Boston will use the average closing prices of Bangor Punta common stock and of Bangor Punta warrants (if warrants comparable to existing Bangor Punta warrants are to be used) during the five trading days immediately preceding the Determination Date.

(C) Sellers will cooperate with Bangor Punta in obtaining any governmental approval appropriate in connection with the making of the Exchange Offer and in connection with the issuance of the Bangor Punta securities issuable as part of such offer. Sellers understand that some, or all, of them may be deemed underwriters within the meaning of the Securities Act of 1933 in connection with the Exchange Offer, and Sellers will have the rights customarily accorded to underwriters in respect of material to be included in any Registration Statement filed in connection with the Exchange Offer. Bangor Punta will indemnify and hold harmless Sellers against any losses, claims, damages or liabilities, joint or several (and actions in respect thereof) to which they

or any of them may become subject under the Securities Act of 1933 or otherwise by reason of any untrue statement or alleged untrue statement of any material fact contained in any such Registration Statement, the Prospectus, any related preliminary prospectus or any amendment or supplement thereto, or by reason of the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse each Seller for any legal or other expenses reasonably incurred by such Seller in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that Bangor Punta shall not have any such liability to the extent that any such loss, claim, damage or liability arises out of or is based upon any statement contained in or omitted from any such documents in reliance upon and in conformity with written information furnished to Bangor Punta by Sellers or by Piper expressly for use therein. Sellers will indemnify and hold harmless Bangor Punta, each of its directors and each of its officers who sign any Registration Statement filed in connection with the Exchange Offer against any losses, claims, damages or liabilities (and actions in respect thereof) to which Bangor Punta or any such director or officer may become subject under the Securities Act of 1933 or otherwise by

reason of any untrue statement or alleged untrue statement of any material fact contained in any such Registration Statement, the Prospectus, any related preliminary prospectus or any amendment or supplement thereto, or by reason of the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the exten that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to Bangor Punta by the Sellers or Piper specifically for use therein; and will reimburse any legal or other expenses reasonably incurred by Bangor Punta or any such director or officer in connection with investigating or defending any such loss, claim, damage, liability or action. ~~Sellers will have the rights customarily accorded to underwriters in respect of material to be included in any registration statement filed with the Securities and Exchange Commission.~~

(D) Following receipt of the necessary governmental and shareholder approvals, Bangor Punta promptly will notify the Agent and the Bank of the opening date of the Exchange Offer, which will be ~~not more than 15~~ as soon as p but days thereafter. Upon being advised by Bangor Punta of the opening date of the Exchange Offer, the Bank will as

soon as practicable after such date deliver to Bangor Punta the Certificates and the Proxies, and Bangor Punta will in exchange therefor deliver to the Bank an appropriate amount of its securities ~~registered~~ listed on the books of Bangor P as requested by the respective Sellers and/or cash, all as due upon such exchange. Promptly thereafter the Bank will deliver such Bangor Punta securities and/or cash to Sellers, and the Escrow will terminate.

(E) If Bangor Punta is unable for any reason to consummate the Exchange Offer within 6 months after notice to the Agent that it has completed its best efforts to consummate the Exchange Offer, then it shall so notify the Bank and thereupon the provisions of paragraph (B) of Section 2 and paragraph (B) of Section 3 shall apply as if there had been a timely notice by Bangor Punta to the Bank that it had elected not to purchase Piper shares tendered pursuant to the Tender Offer; provided, however, that the ~~date by~~ period which such consummation is to be effected shall be extended by a period, if any, equal to the time during which Bangor Punta, Sellers, Piper, the Bank or the Agent is restrained, prohibited or otherwise prevented from carrying out the provisions of this Agreement by any investigation, suit, action or other proceeding, threatened or pending before any court, governmental body or regulatory agency (including, without limitation, any stock exchange the rules of which apply to any of such persons).

Section 5. Representations and Warranties. (A) Each of Sellers hereby represents and warrants as to himself that: (i) such Seller owns and has full legal title to the number of shares of Piper Common Stock indicated opposite his name on Schedule 1, free and clear of all liens, changes or encumbrances except in the case of shares listed on Schedule 2 and that in the case of shares listed on Schedule 2 there are no liens, changes or encumbrances as to such shares that have not been disclosed to Bangor Punta in writing on such Schedule; (ii) the number of shares of Piper Common Stock indicated opposite such Seller's name on Schedule 1 represents all shares of Piper Common Stock owned of record by such Seller, the proxy delivered by such Seller as to such shares is valid and binding on such Seller and such proxy and the endorsements or stock powers delivered by such Seller have been validly executed by the owner of record of such shares; (iii) this Agreement is a valid and binding obligation of such Seller enforceable in accordance with its terms; (iv) the making and performance of this Agreement and the sale of the Piper Common Stock contemplated hereby have been duly authorized by all necessary action, are within the powers of such Seller, and will not violate or constitute a default under any agreement or instrument, including in the case of a Seller that is a corporation its Certificate

of Incorporation and By-Laws, by which such Seller is bound or affected; (v) the shares of Piper Common Stock of such Seller are, as to those presently owned, and will be, as to those owned hereafter, duly and validly issued, fully paid and non-assessable and not liable to further call, and are or will be duly listed on the New York Stock Exchange; (vi) the shares of Piper Common Stock of such Seller are freely transferable by him to Bangor Punta for investment (and not with a view to distribution) as provided in this Agreement without prior governmental approval or permission; and (vii) to the knowledge of such Seller the execution and the delivery of this Agreement, the Pub. 20A Certificates and the Proxies will not violate or constitute a breach of any statute or other governmental regulation and there is no suit, action or other proceeding pending or threatened which would affect the enforceability of this Agreement.

(B) Bangor Punta represents and warrants that it is acquiring the Piper Common Stock from Sellers for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933.

Section 6. No Disposition. No Seller will sell, assign, pledge or otherwise dispose of (including specifically, without limitation, by tender of such shares to any person pursuant to a tender offer or exchange

offer) any shares of Piper Common Stock now owned or hereafter acquired by him prior to the termination of the Escrow established hereby, except in accordance with the terms hereof.

Section 7. Conduct Pending Termination. Prior to the termination of the Escrow established hereby, each Seller will use his best efforts as a shareholder of Piper to cause Piper (i) to conduct its business in its ordinary course; (ii) to preserve intact its business organization; (iii) to keep available the services of its present employees; (iv) to maintain satisfactory relationships with its suppliers, customers and others having business relations with it; (v) not to change its Articles of Incorporation or By-Laws in a manner requiring consent of its shareholders; and (vi) not to issue any shares of its stock in addition to those issued and outstanding on the date hereof, except upon exercise of options previously issued or authorized for issuance.

Piper 21A

Section 8. Binding Effect. This Agreement will be valid and binding when counterparts are signed by Bangor Punta and ~~any one or more of Sellers~~ Sellers; ~~provided, however, that if counterparts of this Agreement shall not have been signed before 5:00 P.M. on May 9, 1969~~ by Sellers owning ~~more than~~ 501,000 or more shares of Piper Common Stock ~~it will~~

..e and become void ab initio and no party hereto theretofore or thereafter signing any counterpart will have any right or obligation hereunder except, in the case of Sellers, a right to the return of the Certificates and the Proxies deposited hereunder. This Agreement will be binding upon and inure to the benefit of each of the undersigned, their heirs, legal representatives, distributees, successors and assigns; provided, however, that no assignment by Bangor Punta of any of its rights under this Agreement, except an assignment by operation of law, shall be valid or effective without the prior written consent of the Agent. Rider 22

10.

Section 9. Miscellaneous. (A) Notices given hereunder will be deemed sufficient if in writing and delivered by hand or sent certified or registered mail, if to Bangor Punta at its address set forth above, attention of the Secretary, if to the Bank at _____ _____, and if to Sellers, c/o W. T. Piper, Jr., Piper Aircraft Corporation, 820 East Bald Eagle Street, Lock Haven, Pennsylvania, 17745.

Rider 22B → (B) If any provision of this Agreement shall be finally declared invalid by a court of competent jurisdction, without further right of appeal, this Agreement shall be voided in its entirety except for the provisions of paragraph (B) of Section 2, which provisions

~~shall survive and be enforceable by or on behalf of Bangor Punta, its successor and its assigns.~~

(C) The representations and warranties of the parties to this Agreement shall survive the complete performance of this Agreement for the full period of any applicable statute of limitations.

(D) Headings used herein are for convenience only and shall not be used in construing any provision hereof.

(E) This Agreement may be executed by Sellers in any number of counterparts, each of which shall be deemed an original; and execution by Bangor Punta of any one such counterpart will be deemed acceptance hereof as to all counterparts heretofore or hereafter signed by Sellers and delivered to Bangor Punta.

(F) This Agreement is to be governed by and construed in accordance with the law of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

BANGOR PUNTA CORPORATION

By_____ _____(L.S.)

[Seal]

_____(L.S.)

_____(L.S.)

_____(L.S.)

_____(L.S.)

PROXY

I (We) hereby irrevocably appoint Nicolas M. Salgo, W. Gordon Robertson and David W. Wallace as proxies with power of substitution to represent me (us) and to vote all my (our) stock in Piper Aircraft Corporation held by me (us) on any Record Date from the date hereof through December 31, 1971 in respect of any and all of the following matters that may come before any Annual Meeting or Special Meeting of the shareholders of Piper Aircraft Corporation, and at any adjournment or adjournments thereof:

1. Any matter, except the election of directors, that is required by any provision of the Pennsylvania Business Corporation Law to be submitted to a vote of shareholders.

2. Any other matter, except the election of directors, that is submitted to a vote of shareholders of Piper Aircraft Corporation, but only upon condition that the proxies appointed herein shall, at least 10 days prior to the date of the meeting at which such matter is to be voted upon, have notified the undersigned, in a writing addressed to him at his address then appearing on the transfer records of Piper Aircraft Corporation,

as to the manner in which such vote will be cast by the proxies appointed herein. The condition stated in the preceding sentence is hereby waived in respect of any matter of which the proxies appointed herein shall not have received written notice from Piper Aircraft Corporation at least 21 days prior to the date of the meeting at which such matter is to be voted upon.

Notwithstanding the foregoing, this proxy shall not be valid to vote at any Annual Meeting or Special Meeting of the shareholders of Piper Aircraft Corporation on any matter proposed by or on behalf of Bangor Punta Corporation unless as to such matter the Board of Directors of Piper Aircraft Corporation shall have recommended to shareholders, in proxy materials distributed in management's solicitation of proxies, that shares be voted in favor of such proposal.

The proxies appointed herein may act by a majority of their number present at any meeting for which this proxy is validly given, or if only one of them is present at such meeting then by that one.

Dated: _____ 1969

Please sign here exactly as name appears below. _____

Joint owners should each sign separately. All trustees must sign unless the trust instrument permits otherwise.

EXHIBIT B

(Date)

Re: Agreement date as of May , 1969
among Bangor Punta Corporation and
sellers named therein, attached
hereto as Exhibit A ("the Agreement)

Gentlemen:

The undersigned has been designated as Agent for the Sellers named in the Agreement (the "Sellers").

On behalf of the Sellers, the undersigned hereby delivers to you the Certificates of Piper Common Stock listed on Schedule 1 to the Agreement, together with the related Proxies, except that as to those Certificates listed on Schedule 2 only Proxies are delivered herewith.

You are hereby instructed to hold these Certificates and Proxies, and any other Certificates or Proxies delivered to you under the Agreement, and not to dispose of them accept in accordance with the Agreement. This request is being made on behalf of Bangor Punta Corporation and the Sellers named in the Agreement and is intended to be for their respective benefit.

Please acknowledge receipt of the Certificates and Proxies delivered herewith and indicate your agreement to act in accordance with this letter, and the Agreement, below.

Very truly yours,

,Agent

Received and Agreed to, all
as provided above, as of the
date set out above.

FIRST NATIONAL BANK OF LOCKHAVEN

By_____

(D a t e)

Bangor Punta Corporation
405 Park Avenue
New York, New York 10022

Gentlemen:

We are holding _____ shares of Piper Corporation stock owned by _____ (the "Pledgor") as security for certain indebtedness owed to us by the Pledgor.

We understand that the Pledgor has entered into an agreement dated as of May , 1969 with you and with a number of other owners of Piper Corporation Common Stock named therein (the "Agreement") providing for, among other things, the holdings in escrow by First National Bank of Lockhaven, Pennsylvania of all Piper Common Stock owned by the Pledgor. The Agreement covers the shares of such stock being held by us as aforesaid and in accordance with the Agreement the Pledgor has requested we agree with you as follows:

1. If at any time the indebtedness of the Pledgor for which the shares of Piper Common Stock referred to above as being held as security by us is discharged, or reduced to such extent, that we no longer require any or all such shares for security, such shares will be delivered by us to the First National Bank of Lockhaven to be held in accordance with the terms of the Agreement;

2. If we are holding any of the aforesaid shares of Piper Corporation as security on the effective date of the exchange offer referred to in Section 4 of the Agreement, we will, at the request of the First National Bank of Lockhaven, deliver such shares to such bank to be exchanged for such Bangor Punta securities and/or cash as are issuable or payable in connection with such exchange offer. Such Bangor Punta securities and/or cash will thereupon be delivered to us for substitution as security for the aforesaid indebtedness.

3. We will advise Bangor Punta and the First National Bank of Lockhaven prior to foreclosing on any of the shares of Piper Corporation Common Stock held as security for the above indebtedness and prior to disposing in any way of such shares, we will at Bangor Punta's option either (i) offer such shares to Bangor Punta for purchase at the ~~lesser of $80 per share or the~~ then market price thereof or (ii) exchange such shares for the Bangor Punta securities and/or cash issuable or payable pursuant to the aforesaid exchange offer.

Very truly yours,

BPC 5

PLAINTIFF'S EXHIBIT 56

AGREEMENT

Agreement dated as of May 8, 1969 between the signing shareholders listed in Schedule 1 hereto ("Sellers") of Piper Aircraft Corporation, a Pennsylvania corporation having an office in Lock Haven, Pennsylvania ("Piper"), and Bangor Punta Corporation, a Delaware corporation having an office at 405 Park Avenue, New York, New York ("Bangor Punta"),

W I T N E S S E T H :

WHEREAS, Sellers own shares of Piper Common Stock in the amounts indicated opposite their names on Schedule 1 hereto; and

WHEREAS, Sellers have agreed to exchange their shares of Piper Common Stock for Bangor Punta securities on the terms and conditions herein described; and

WHEREAS, Sellers have agreed to deposit their shares of Piper Common Stock in escrow with First National Bank of Lock Haven ("the Bank") together with irrevocable proxies;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Escrow. (A) Within 5 days of his signing this Agreement each of Sellers will deliver to the Bank a certificate or certificates representing the number of shares of Piper Common Stock indicated opposite his name on Schedule 1 (such certificates together with any other certificates of Piper Common Stock delivered to the Bank pursuant hereto being termed herein "the Certificates") together with an irrevocable proxy coupled with an interest (such proxy, to be in the form attached hereto as Exhibit A, together with any other proxies delivered to the Bank pursuant hereto being termed herein the "Proxies") appointing Nicolas M. Salgo, W. Gordon Robertson and David W. Wallace as proxies for such Seller, except that as to the number of shares of Piper Common Stock indicated opposite the name of any Seller on Schedule 2 hereto, which are presently pledged to commercial lenders ("the Pledged Shares") as security for indebtedness of such Seller, only Proxies and not certificates will be delivered to the Bank except as hereinafter required. Each of the Certificates will be endorsed in blank or will be accompanied by a separate form of stock power executed in blank, in either case with the signature of the holder of record guaranteed by a bank or trust company that is a member, or a correspondent of a member, of the New York Clearing House, or by a firm having

membership in the New York Stock Exchange, in proper form to permit the transfer of the shares represented thereby on the stock transfer records of Piper. Each of the Proxies will be signed by the record owner of the Certificates to which it relates in the precise form in which such Certificates are registered on the stock transfer records of Piper.

(B) Upon receipt of the Certificates and the Proxies delivered herewith, the Bank and William T. Piper, Jr., who is hereby irrevocably designated the Agent ("the Agent") for the Sellers as to all matters and controversies relating to this Agreement, will execute and deliver a letter agreement in the form set forth in Exhibit B hereto.

(C) Until terminated in accordance with the terms of this Agreement, the Escrow established hereby for the express benefit of Bangor Punta and Sellers is irrevocable. The obligations and authorizations of Sellers hereunder will not be terminated by operation of law or the occurrence of any event not prescribed by this Agreement, including the death or incompetency of any of Sellers, or, in the case of a trust, the death or substitution of any trustee or trustees or the termination of such trust, or, in the case of an estate, the death or substitution of any executor or administrator; and if any such event occurs with respect to any Seller before the release from the Escrow hereunder of the Certificates representing the shares owned by such

Seller and/or the related Proxies, the Bank is hereby authorized and instructed to hold and dispose of such Certificates and/or Proxies in accordance with the terms and conditions hereof as if such event had not occurred irrespective of whether the Bank shall have received notice of such event.

(D) Sellers whose names are listed on Schedule 2 agree to take all necessary action to prevent foreclosure of the Pledged Shares by the lenders holding them as security. Within 5 days of his signing this Agreement each such Seller will obtain from the lender or lenders holding his pledged Shares as security for his indebtedness a letter agreement for the benefit of Bangor Punta substantially as set forth in Exhibit C hereto. Upon receipt of any certificates for Pledged Shares the Bank will notify the Agent and Bangor Punta of such fact, and the Agent will notify such Seller of such fact and such Seller will take any action necessary to put such certificates into the form specified in paragraph (A) of this Section 1.

(E) Each of Sellers (i) will not directly or indirectly, prior to the termination of the Escrow established hereby, purchase additional shares of Piper Common Stock except upon exercise of options presently outstanding and (ii), in the event that he becomes owner by any means of any additional shares of Piper Common Stock, will deposit

with the Bank the certificates representing such shares, a proxy in the form set forth in Exhibit A and all other documents necessary to insure that such shares will be subject in all respects to this Agreement as if originally listed on Schedule 1.

(F) Notwithstanding any other provision of this Agreement, Bangor Punta and Sellers consent to the release from the Escrow upon 10 days' prior written notice to Bangor Punta and to the sale thereafter from time to time by or on behalf of W. T. Piper, Sr. of sufficient shares of Piper Common Stock to provide funds, after taxes on such sale, for the payment on April 15, 1970 of gift taxes then due to be paid by W. T. Piper, Sr. as a result of taxable gifts made by him prior to April 1, 1969; provided, however, that no such release or sale of shares of Piper Common Stock shall take place prior to January 1, 1970 except upon the prior written consent of Bangor Punta which shall not be unreasonably withheld. Any such release of shares of Piper Common Stock will automatically amend Schedule 1 to delete such shares.

(G) Upon receipt by the Bank of written advice from Piper that its Common Stock has been the subject of a split, reverse split or other reclassification rendering the Certificates obsolete, the Bank shall surrender the Certificates to Piper upon the receipt by the Bank

of new Certificates appropriately registered and in appropriate denominations, accompanied by a certification by the Agent that such new Certificates correctly represent the interests of the respective Sellers in accordance with such reclassification. Upon receipt by the Bank of such new Certificates the Bank will so advise Sellers and Bangor Punta, and Sellers hereby agree to promptly furnish the Bank with stock powers relating thereto executed in blank and with signatures guaranteed and, if necessary in the opinion of Bangor Punta, with proxies for such shares all as provided in paragraph (A) of this Section 1. Reclassified securities received by the Bank as above provided shall be deemed to constitute the Piper Common Stock of Sellers for purposes of this Agreement, and any consideration payable for such reclassified shares pursuant to this Agreement shall be the same as the consideration payable hereunder for such shares prior to reclassification.

(H) Sellers will pay to the Bank its reasonable and customary fees for the services to be rendered by it and will reimburse it for reasonable expenses incurred in connection therewith and for any transfer taxes payable in respect of the Piper Common Stock, all in proportion to their respective holdings thereof.

If Bangor Punta's shareholders disapprove such proposal, then Agreement and the Escrow shall forthwith terminate without further action by Bangor Punta or Sellers.

Section 2. Exchange Offer. (A) Bangor Punta will as soon as practicable submit to a meeting of its shareholders a proposal for, and an unqualified recommendation of approval of, an exchange offer ("the Exchange Offer") as hereinafter described and will use its best efforts to obtain the necessary shareholder and governmental approval therefor. The Exchange Offer will be for all outstanding shares of Piper Common Stock owned by Sellers at the time of the Exchange Offer.

(B) Under the Exchange Offer each share of Piper Common Stock will be exchanged for (i) not less than one share of Bangor Punta Common Stock, par value $1 per share, as constituted on the date hereof (ii) not less than two Bangor Punta Warrants--Series C, expiring March 31, 1981, as constituted on the date hereof, and (iii) $15 principal amount of a new Bangor Punta 5-1/2% 25 30-year Convertible Debenture, convertible into not less than 1.8 shares of Bangor Punta Common Stock as constituted on the date hereof for each $100 principal amount (and having other privileges and protections, such as against dilution, that are customary in publicly offered convertible debt securities).

(C) Sellers will cooperate with Bangor Punta in obtaining any governmental approval appropriate in connection with the making of the Exchange Offer and in connection with the issuance of the Bangor Punta securi-

Melany the Exchange Offer and

ties issuable as part of such offer. Sellers understand that some, or all, of them may be deemed underwriters within the meaning of the Securities Act of 1933 in connection with the Exchange Offer, and Sellers will have the rights customarily accorded to underwriters in respect of material to be included in any Registration Statement filed in connection with the Exchange Offer. Bangor Punta will indemnify and hold harmless Sellers against any losses, claims, damages or liabilities, joint or several (and actions in respect thereof) to which they or any of them may become subject under the Securities Act of 1933 or otherwise by reason of any untrue statement or alleged untrue statement of any material fact contained in any such Registration Statement, the Prospectus, any related preliminary prospectus or any amendment or supplement thereto, or by reason of the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; and Bangor Punta will reimburse each Seller for any legal or other expenses reasonably incurred by such Seller in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that Bangor Punta shall not have any such liability to the extent that any such loss, claim, damage or liability arises

out of or is based upon any statement contained in or omitted from any such documents in reliance upon and in conformity with written information furnished to Bangor Punta by Sellers or by Piper expressly for use therein. Sellers will indemnify and hold harmless Bangor Punta, each of its directors, and each of its officers, who sign any Registration Statement filed in connection with the Exchange Offer against any losses, claims, damages or liabilities (and actions in respect thereof) to which Bangor Punta or any such director, or officer, may become subject under the Securities Act of 1933 or otherwise by reason of any untrue statement or alleged untrue statement of any material fact contained in any such Registration Statement, the Prospectus, any related preliminary prospectus or any amendment or supplement thereto, or by reason of the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to Bangor Punta by the Sellers or Piper specifically for use therein; and Sellers will reimburse any legal or other expenses reasonably incurred by Bangor

Punta or any such director or officer in connection with investigating or defending any such loss, claim, damage, liability or action.

(D) Following receipt of the necessary governmental and shareholder approvals, Bangor Punta promptly will notify the Agent and the Bank of the opening date of the Exchange Offer, which will be as soon as possible ~~but not more than 30 days thereafter~~. Upon being advised by Bangor Punta of the opening date of the Exchange Offer, the Bank will as soon as practicable after such date deliver to Bangor Punta, for exchange pursuant to the terms of the Exchange Offer, all the Certificates and Proxies, and Bangor Punta will in exchange therefor deliver to the Bank an appropriate amount of its securities recorded on the transfer records of Bangor Punta as requested by the respective Sellers. Promptly thereafter the Bank will deliver such Bangor Punta securities to Sellers, and the Escrow will terminate.

(E) Beginning on the date hereof Bangor Punta will use its best efforts to acquire additional shares of Piper Common Stock sufficient, when added to the number of shares of Piper Common Stock owned by Sellers and covered by this Agreement, to constitute Bangor Punta the holder of more than 50% of the outstanding shares of Piper Common Stock. As a part of such best efforts, ~~or within 90 days of acquiring such sufficient~~

Additional Shares. Bangor Punta will take all steps necessary to make a further exchange offer to all holders of Piper Common Stock, under which such holders will be entitled to exchange each share of Piper Common Stock held by them for Bangor Punta securities and/or cash having a value, in the written opinion of The First Boston Corporation, of $80 or more ("the Further Exchange Offer Value"). If Bangor Punta succeeds in acquiring such sufficient Additional Shares and if in the written opinion of The First Boston Corporation the value of the Bangor Punta securities delivered under the Exchange Offer for each share of Piper Common Stock (the "Exchange Offer Value"), determined as of the opening date of such further exchange offer, is less than $80, then Bangor Punta will promptly thereafter deliver to Sellers Bangor Punta securities and/or cash with a value in the written opinion of The First Boston Corporation equal to the difference between $80 and the Exchange Offer Value.

(F) If Bangor Punta is unable for any reason to consummate the Exchange Offer before the date ("the Final Date") that is 6 months after the date of its notice to the Agent that it has completed its best efforts to consummate the Exchange Offer, then this Agreement and the Escrow shall terminate forthwith without further action by Bangor Punta or Sellers; provided, however,

that the Final Date shall be postponed by a period, if any, equal to the time during which Bangor Punta, Sellers, Piper, the Bank or the Agent is restrained, prohibited or otherwise prevented from carrying out the provisions of this Agreement by any investigation, suit, action or other proceeding, threatened or pending before any court, governmental body or regulatory agency (including, without limitation, any stock exchange the rules of which apply to any of such persons).

Section 3. Representations and Warranties. (A) Each of Sellers hereby represents and warrants as to himself that: (i) such Seller owns and has full legal title to the number of shares of Piper Common Stock indicated opposite his name on Schedule 1, free and clear of all liens, charges or encumbrances except in the case of shares listed on Schedule 2 and that in the case of shares listed on Schedule 2 there are no liens, charges or encumbrances as to such shares that have not been disclosed to Bangor Punta in writing on such Schedule; (ii) the number of shares of Piper Common Stock indicated opposite such Seller's name on Schedule 1 represents all shares of Piper Common Stock owned of record by such Seller, the proxy delivered by such Seller as to such shares is valid and binding on such Seller and such proxy and the endorse-

ments or stock powers delivered by such Seller have been validly executed by the owner of record of such shares; (iii) this Agreement is a valid and binding obligation of such Seller enforceable in accordance with its terms; (iv) the making and performance of this Agreement and the sale of the Piper Common Stock contemplated hereby have been duly authorized by all necessary action, are within the powers of such Seller, and will not violate or constitute a default under any agreement or instrument, including in the case of a Seller that is a corporation its Certificate of Incorporation and By-Laws, by which such Seller is bound or affected; (v) the shares of Piper Common Stock of such Seller are, as to those presently owned, and will be, as to those owned hereafter, duly and validly issued, fully paid and non-assessable and not liable to further call, and are or will be duly listed on the New York Stock Exchange; (vi) the shares of Piper Common Stock of such Seller are freely transferable by him to Bangor Punta for investment (and not with a view to distribution) as provided in this Agreement without prior governmental approval or permission; and (vii) to the knowledge of such Seller the execution and the delivery of this Agreement, and the execution, delivery and transfer of the Certificates and the Proxies will not violate or constitute a breach

of any statute or other governmental regulation and there is no suit, action or other proceeding pending or threatened which would affect the enforceability of this Agreement.

(B) Bangor Punta represents and warrants that it is acquiring the Piper Common Stock from Sellers for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933.

Section 4. No Disposition. No Seller will sell, assign, pledge or otherwise dispose of (including specifically, without limitation, by tender of such shares to any person pursuant to a tender offer or exchange offer) any shares of Piper Common Stock now owned or hereafter acquired by him prior to the termination of the Escrow established hereby, except in accordance with the terms hereof.

Section 5. Conduct Pending Termination. Prior to the termination of the Escrow established hereby, each Seller will use his best efforts as a shareholder of Piper to cause Piper (i) to conduct its business in its ordinary course; (ii) to preserve intact its business organization; (iii) to keep available the services of its present employees; (iv) to maintain satisfactory relationships with its suppliers, customers and others having business rela-

tions with it; (v) not to change its Articles of Incorporation or By-Laws in a manner requiring consent of its shareholders; and (vi) not to issue any shares of its stock in addition to those issued and outstanding on the date hereof, except upon exercise of options previously issued or authorized for issuance.

Section 6. Binding Effect. This Agreement will be valid and binding when counterparts are signed by Bangor Punta and by Sellers owning 501,000 or more shares of Piper Common Stock. This Agreement will be binding upon and inure to the benefit of each of the undersigned, their heirs, legal representatives, distributees, successors and assigns; provided, however, that no assignment by Bangor Punta of any of its rights under this Agreement, except an assignment by operation of law or to a wholly-owned subsidiary of Bangor Punta, shall be valid or effective without the prior written consent of the Agent.

Section 7. Miscellaneous. (A) Notices given hereunder will be deemed sufficient if in writing and delivered by hand or sent certified or registered mail, if to Bangor Punta at its address set forth above, attention of the Secretary, if to the Bank at Lock Haven, Pennsylvania 17745, and if to Sellers, c/o W. T. Piper, Jr.,

Piper Aircraft Corporation, 820 East Bald Eagle Street, Lock Haven, Pennsylvania 17745.

(B) If any provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term and provision hereof shall be valid and enforced to the fullest extent permitted by law.

(C) The representations and warranties of the parties to this Agreement shall survive the complete performance of this Agreement for the full period of any applicable statute of limitations.

(D) Headings used herein are for convenience only and shall not be used in construing any provision hereof.

(E) This Agreement may be executed by Sellers in any number of counterparts, each of which shall be deemed an original; and execution by Bangor Punta of any one such counterpart will be deemed acceptance hereof as to all counterparts heretofore or hereafter signed by Sellers and delivered to Bangor Punta.

(F) This Agreement is to be governed by and

construed in accordance with the law of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

BANGOR PUNTA CORPORATION

By_____

[Seal]

_____(L.S.)

_____(L.S.)

_____(L.S.)

_____(L.S.)

_____(L.S.)

(F) This Agreement is to be governed by and construed in accordance with the law of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

BANGOR PUNTA CORPORATION

By_____

[Seal]

_____(L.S.)

_____(L.S.)

_____(L.S.)

_____(L.S.)

_____(L.S.)

PLAINTIFF'S EXHIBIT 57

258

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Ex 57

THE FIRST BOSTON CORPORATION

CABLE ADDRESS
FIRSTCORP, NEW YORK

July 18, 1969

20 EXCHANGE PLACE
NEW YORK, N.Y. 10005

Mr. William T. Piper, Jr., Agent
Piper Aircraft Corporation
820 E. Bald Eagle Street
Lock Haven, Pennsylvania 17745

Dear Sir:

We understand that Bangor Punta Corporation ("Bangor") plans to offer a combination of securities to certain shareholders of Piper Aircraft Corporation ("Piper") in exchange for their shares of common stock of Piper. In this connection, you have asked us to advise you as to the value of such combination of Bangor securities.

Bangor has informed us that under this exchange offer each share of Piper can be exchanged for the following Bangor securities:

(1) 1.2 Common Shares, par value $1 per share, plus

(2) A Warrant - Series C expiring March 31, 1981 to purchase 3.5 Common Shares at $55 per share, and

(3) $31.00 principal amount of 8 1/4% Convertible Subordinated Debentures Due 1994 convertible into Bangor Common Stock at $55 per share, nonredeemable prior to July 1, 1973 and thereafter initially at 108.25% of the principal amount, and entitled to a sinking fund commencing on March 31, 1980 sufficient to retire 91% of the principal amount then outstanding.

In addition, we have reviewed Bangor's Preliminary Prospectus dated July 16, 1969, as filed with the Securities and Exchange Commission, and understand that the other provisions of these securities will be substantially as set forth therein.

We are pleased to advise you that, in our opinion, the value of the above-described combination of Bangor securities is not less than $80 per common share of Piper. This valuation is based on market and other conditions existing prior to the opening of business on July 18, 1969.

Very truly yours,

THE FIRST BOSTON CORPORATION

By_____
John H. Lacri, Jr.
Vice President

Chisholm ... EXHIBIT No. 36 FOR ID
DATE 4/4/70 PHILIP FELDMAN
SHORTHAND REPORTER

PLAINTIFF'S EXHIBIT 58

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EX 58

THE FIRST BOSTON CORPORATION

CABLE ADDRESS
FIRSTCORP, NEW YORK

20 EXCHANGE PLACE
NEW YORK, N.Y. 10005

September 5, 1969

Mr. David W. Wallace
President
Bangor Punta Corporation
405 Park Avenue
New York, New York 10022

Mr. William T. Piper, Jr.,
As Agent
Piper Aircraft Corporation
820 East Bald Eagle Street
Lock Haven, Pennsylvania 17745

Dear Sirs:

We understand that Bangor Punta Corporation ("Bangor") has issued under its Limited Exchange Offer a combination of Bangor securities to certain former shareholders of Piper Aircraft Corporation ("Piper") in exchange for their shares of common stock of Piper. Pursuant to an agreement dated as of May 8, 1969 between those former shareholders of Piper and Bangor, you have asked our opinion as to the value of the Bangor securities delivered to such former shareholders of Piper for each share of Piper common stock determined as of the opening date of Bangor's General Exchange Offer.

As set forth in the Prospectus dated July 18, 1969 each share of Piper was exchanged for the following Bangor securities.

(1) 1 Common Share, par value $1 per share, plus

(2) A Warrant - Series C expiring March 31, 1981 to purchase 2.2 Common Shares at $55 per share, and

(3) $15 principal amount of 8 1/4% Convertible Subordinated Debentures D[illegible]994 convertible into Bangor Common Stock at [illegible] per share,

Chas. Craft

PLAINTIFF'S EX. [illegible] FOR ID
DEFENDANT'S EX. 57
DATE: 2/4/70 PHILIP FELDMAN
SHORTHAND REPORTER

nonredeemable prior to July 1, 1973 and thereafter initially at 103.25% of the principal amount, and entitled to a sinking fund commencing on March 31, 1980 sufficient to retire 91% of the principal amount then outstanding.

We have reviewed the terms and provisions of the various securities as set forth in Bangor's Prospectus dated July 18, 1969. Furthermore, you have advised us that the opening date of Bangor's General Exchange Offer was July 18, 1969.

We are pleased to advise you that, in our opinion, the value as of the opening date of the General Exchange Offer of the above-described Bangor securities delivered for each share of Piper common stock was $53.50.

Very truly yours,

THE FIRST BOSTON CORPORATION

By Nicholas H. Bayard

Nicholas H. Bayard
Vice President

EXHIBIT 59

FB 63

THE FIRST BOSTON CORPORATION

CABLE ADDRESS
FIRSTCORP, NEW YORK

20 EXCHANGE PLACE
NEW YORK, N.Y. 10005

September 5, 1969

Mr. William T. Piper, Jr.
President
Piper Aircraft Corporation
820 East Bald Eagle Street
Lock Haven, Pennsylvania 17745

Mr. John S. Bolles
14 Gold Street
San Francisco, California 94133

Dear Sirs:

We understand that certain former shareholders of Piper Aircraft Corporation, collectively known as "the Bolles Group," and William T. Piper, Jr., Howard F. Piper and Thomas F. Piper are parties to an ancillary agreement dated May 14, 1969 relating to Bangor Punta Corporation's Limited Exchange Offer to certain members of the Piper family (which includes the Bolles Group). The terms of the Limited Exchange Offer are set forth in Bangor's Prospectus dated July 18, 1969.

Pursuant to the aforementioned ancillary agreement, you have asked us to advise you as to the fair market value of each of the securities of Bangor delivered under such Limited Exchange Offer as of the exchange date, August 7, 1969. As set forth in Bangor's Prospectus dated July 18, 1969, each share of Piper common stock was exchanged for the following Bangor securities:

(1) 1 Common Share, par value $1 per share, plus

(2) A Warrant - Series C expiring March 31, 1981, to purchase 2.2 Common Shares at $55 per share, and

(3) $15 principal amount of 8 1/4% Convertible Subordinated Debentures Due 1994 convertible into Common Stock at $55 per share, non-redeemable prior to July 1, 1973, and

EXHIBIT EX: 38 FOR I.
DATED 7/1/70 PHILIP FELDMAN
SHORTHAND REPORTER

thereafter initially at 108.25% of the principal amount, and entitled to a sinking fund commencing on March 31, 1980, sufficient to retire 91% of the principal amount then outstanding.

We are pleased to advise you that, in our opinion, the fair market values on August 7, 1969 of the respective Bangor securities described above and delivered under the Limited Exchange Offer were as follows:

Securities	Valuation Per Unit	Total
1 Common Share	$22.625	$22.625
Warrants to Purchase 2.2 Common Shares	6.00	13.20
$15 Principal Amount 8 1/4% Convertible Subordinated Debentures	85%	12.75

This opinion is given solely for the purposes of the ancillary agreement referred to above, and we understand that, under the terms of such agreement, the parties to the agreement are to use their best efforts to keep the foregoing opinion in confidence.

Very truly yours,

THE FIRST BOSTON CORPORATION

By Nicholas H. Bayard

Nicholas H. Bayard
Vice President

TIFF'S
EXHIBIT
. Dist. Court
D. of N. Y.
MAR 16 1971
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MAR 15 1971

September 9, 1969 - Special Board of Directors Meeting -

NO FORMAL AGENDA PRESENTED -

(This meeting was scheduled as a Executive Committee meeting but because of the large attendance, was turned into a special Board meeting)

PLAINTIFF'S
EXHIBIT
U. S. Dist. Court
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MAR 15 1971

Hutchins Ex 3 for ID
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BANGOR PUNTA CORPORATION

SPECIAL MEETING

of the

BOARD OF DIRECTORS

New York, New York
September 9, 1965

In lieu of the regularly scheduled Executive Committee meeting, a special meeting of the Board of Directors of Bangor Punta Corporation was held on this date at the offices of the Corporation, 405 Park Avenue, New York, New York, at 9:30 A. M.

The Directors of the Corporation waived notice of the meeting, and a copy of such waiver, signed by all Directors, is attached hereto and made a part of these Minutes.

The Chairman of the Board, Mr. Nicolas M. Salgo, presided at the meeting. The following Directors, constituting a quorum, were present:

James S. Garvey
William E. Hill
Curtis M. Hutchins
George S. Jones
Frederick H. Kingsbury, Jr.
Scott K. Lowry
W. Gordon Robertson
Nicolas M. Salgo
George H. Seal
Robert G. Stone
James G. Tremaine
David W. Wallace
Harry C. Wood

The following Directors were unable to attend:

Harry S. Baker
William C. Douglas
John E. Flick
Dr. Walter B. McKinney
W. Jerome Stroud

In the absence of Mr. Flick, who was on military duty, Mr. Wallace acted as Secretary of the meeting.

GRANTING OF STOCK OPTIONS

Mr. Wallace recommended to the Board of Directors that Mr. Ugo F. Ippolito, a new member of the Law Department, Mr. John B. Bennet, recently elected vice president of Bangor Punta International Capital Company, Messrs. Irving S. Banquer, Merritt D. Benson and Kenneth G. Fettig, officers of the Jewelry Group, and and Messrs. Albert K. Harring, Peter Navazelskis, Walter M. Oppenheim and Raymond Phillips, members of the Jewelry Group, be granted options on the Common Stock of the Corporation under the 1965 Qualified Stock Option Plan of the Corporation.

Upon motion duly made, seconded and carried, it was

RESOLVED, that there be, and hereby is, granted pursuant to the 1965 Qualified Stock Option Plan of the Corporation, stock options on the Common Stock of the Corporation to the persons, in the amounts, at prices per share (being not less than the fair market value defined as the last sales price on the New York Stock Exchange) and on this date, as set forth below.

Name	Number of Shares	Price per Share
Irving S. Banquer	750	$20-5/8
Merritt D. Benson	500	$20-5/8
John B. Bennet	1,500	$20-5/8
Kenneth G. Fettig	750	$20-5/8
Albert K. Harring	150	$20-5/8
Ugo F. Ippolito	500	$20-5/8
Peter Navazelskis	150	$20-5/8
Walter M. Oppenheim	200	$20-5/8
Raymond Phillips	100	$20-5/8

INCENTIVES

Mr. Salgo stated that he wished to call the Board's attention once again to the proposal which he made at the Board meeting on August 7, 1969 in connection with the sale of Common Stock of the Corporation to key employees (Reference: BPC-8-7-69-13), and to ask the Board's action on the proposal.

He stated that inasmuch as the Board of Directors has now had an opportunity to further reflect on this matter, he believed it is appropriate to institute the plan as of this date. The Chairman further reported that it will be necessary to obtain shareholder approval for the proposed plan.

The Board discussed this matter further, and upon motion duly made, seconded and carried, it was

RESOLVED, that this Corporation sell, subject to shareholder approval, to certain of its key employees, to be designated by the Chairman of the Board, the Co-Chairman of the Board or the President of this Corporation, up to a total of 120,000 shares of its authorized but unissued Common Stock at the closing sales price ($20-5/8) for such stock on the New York Stock Exchange on this date; and

RESOLVED, that the aforementioned sale of up to 120,000 shares of Common Stock of this Corporation be on such terms and conditions as the President or any Senior Vice President of this Corporation deem appropriate; and

RESOLVED, that the proper officers of this Corporation be, and they hereby are, authorized to apply for the listing of the aforementioned 120,000 shares of Common Stock on the New York Stock Exchange, the Midwest Stock Exchange and the Pacific Coast Stock Exchange, and they are hereby authorized to execute all documents and take such other action appropriate in connection with such application for listing; and

RESOLVED, that if the President or any Senior Vice President of this Corporation deem it necessary to have the aforementioned sale of Common Stock ratified by the shareholders of this Corporation, they be, and hereby are, authorized to submit such proposal to such shareholders at the next shareholders' meeting with the recommendation of this Board of Directors for its approval.

PURCHASE OF STOCK

Mr. Salgo advised the Board that representatives of United Fund, which owns approximately 190,000 shares of the Corporation's Common Stock, had recently indicated to him that they might be desirous of selling their holdings in Bangor Punta.

Mr. Salgo stated that, in his opinion, this stock is overhanging the market and is a contributing cause of the depressed price of Bangor Punta stock. He stated that the stock is at a very inexpensive price but that in view of general economic conditions, he felt it would be unwise for the Corporation itself to expend capital for the purchase of these shares.

The Board discussed the matter at some length and reached the consensus that the Corporation should not purchase this stock at this time. It was agreed, however, that in the event shares of stock are sold to employees under incentive arrangements, the Corporation may wish to purchase shares for Treasury.

OPERATIONS

Mr. Wallace reviewed various operations for the benefit of the Board and answered inquiries which were addressed to him by the Directors.

DISPOSITION OF BANGOR AND AROOSTOOK RAILROAD

Discussions regarding the sale of the Bangor and Aroostook Railroad, which has been under consideration by the Board of Directors for a considerable period of time, were resumed. Various proposals concerning the sale of the Railroad were discussed, including the sale of assets, a combination of a partial sale of the assets and a leasing arrangement of the remaining assets, and the sale of the stock of the Railroad.

In the course of discussing whether stock or assets could be sold, the tax aspects of such sales were fully considered as well as the sizeable diminution of assets on the books of the Corporation as the result of one type of sale as contrasted with the other. Also considered were indications that the prospects for increased earnings by the Railroad for Fiscal Year 1970 and in future years are very poor. Additionally, Mr. W. Jerome Strout, President of the Railroad, had previously informed the Board that substantial expenditures of money would be necessary for capital items during the next several years. Mr. Hutchins stated that this would constitute a heavy burden on the parent company at times when required loan capital will not be available to the Railroad. Further, the Board had also been advised that competition by other modes of transporation indicate that the possibility of expanding the business of the Railroad is negligible (Reference: BPC-5-21-69-8.)

After due consideration, the Board of Directors decided that it should authorize Mr. Curtis M. Hutchins, a member of the Board who has been negotiating with Mr. F. C. Dumaine, Jr., President of Amoskeag Company, to consummate the prompt sale of the Bangor and Aroostook Railroad for a consideration of Five Million Dollars ($5,000,000) or more in cash and such other additional consideration and benefits to the Corporation as are obtainable under terms and conditions which, in Mr. Hutchins' judgment, would be in the best interests of the Corporation.

Upon motion duly made, seconded and carried, it was

RESOLVED, that Mr. Curtis M. Hutchins, a member of the Board of Directors of this Corporation, be, and he hereby is, authorized to consummate the sale of either the assets or stock of the Bangor and Aroostook Railroad to Amoskeag Company, or to such other buyer, for a consideration of Five Million Dollars ($5,000,000) or more in cash and such other additional consideration and benefits for the Corporation as are obtainable under terms and conditions, as will, in his judgment, be in the best interests of this Corporation; and

RESOLVED, that Mr. Curtis M. Hutchins and the officers of this Corporation be, and they hereby are, authorized to execute contracts and other documents, and take all other action necessary to consummate the sale of the Bangor and Aroostook Railroad in accordance with the terms and conditions so negotiated.

AMENDMENTS TO BY-LAWS

Mr. Salgo called the attention of the Board to recent changes in the Delaware Law which would permit Board of Directors meetings to be conducted through the use of a conference telephone or similar device as long as all persons participating are able to hear one another.

The Chairman also mentioned another change in the Delaware Law which would permit the Executive Committee of the Board of Directors to declare dividends or authorize the issuance of stock. He also called the Board's attention to other changes made under the Delaware Law insofar as the powers of the Executive Committee are concerned. He pointed out that these changes were advisable and recommended that the By-laws of the Corporation be amended to incorporate these changes.

Upon motion duly made, seconded and carried, it was

RESOLVED, that Article II-Section 6, Article III-Section 2, Article III-Section 4 and Article III-Section 8 of the By-laws of the Corporation shall be amended to read as follows:

"ARTICLE II.

SECTION 6. Quorum and Manner of Acting. At all meetings of the Board of Directors, one-third (1/3) of the total number of directors or two directors, whichever shall be the greater number, shall constitute a quorum for the transaction of business, subject, however to the provisions of Section 9 of this Article II Directors may participate in meetings of the Board of Directors by means of conference telephone or any similar communications equipment through which all persons participating in such meeting can hear each other, and participating in a meeting in such manner shall constitute presence in person at such meeting for all directors so participating. Except as otherwise required by statute, or as otherwise provided by these By-laws, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the directors present may adjourn the meeting from time to time until a quorum shall be present. The Board of Directors may determine if and to what extent the directors or any member thereof shall be compensated for attendance at meetings of the Board."

"ARTICLE III.

SECTION 2. Powers. During the intervals between the meetings of the Board of Directors, the Executive Committee shall have and may exercise all powers of the Board of Directors in the management of the business and affairs of the Corporation, including, without limitation, the power to authorize the seal of the Corporation to be affixed to all papers which may require it, to declare dividends and to authorize the issuance of authorized but unissued securities of the Corporation, except that the Executive Committee shall not have the power to:

(a) Change the dividend policy of the Corporation, to increase, decrease or omit any dividend;

(b) Remove or appoint any officer or director of the Corporation;

(c) Amend the Certificate of Incorporation;

(d) Amend, repeal or adopt By-laws;

(e) Recommend to shareholders the authorization of new securities of the Corporation;

(f) Adopt an agreement of merger or consolidation;

(g) Recommend to the shareholders the sale, lease or exchange of all, or substantially all, of the Corporation's property and assets;

(h) Recommend to the shareholders a dissolution of the Corporation or a revocation of the dissolution of the Corporation."

"ARTICLE III.

SECTION 4. Quorum and Manner of Acting. At all meetings of the Executive Committee, the presence of members consisting of a majority of the total authorized membership of the Executive Committee shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the members present at any meeting at which a quorum is present shall be the act of such Committee. Directors may participate in meetings of the Executive Committee by means of conference telephone or any similar communications equipment through which all persons participating in such meeting can hear each other, and participation in a meeting in such manner shall constitute presence in person at such meeting for all members of the Executive Committee so participating."

"ARTICLE III.

SECTION 8. Other Committees. The Board of Directors, by resolution or resolutions passed by a majority of the whole Board of Directors, may designate one or more other committees, each such committee to consist of one or more directors, which to the extent provided in said resolution or resolutions shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors, and members of such committee or committees may participate in meetings by conference telephone or similar communications equipment in the manner and with the same result as set forth in Section 5 of Article III with respect to meetings of the Executive Committee."

RESIGNATION AND ELECTION OF OFFICERS

Mr. Wallace reported that as of September 13, 1969, Mr. Jack G. Milne submitted his resignation as Vice President-Corporate Relations of the Corporation so that he might follow other pursuits. Mr. Wallace requested, therefore, that Mr. Milne's resignation be accepted.

The President then recommended to the Board that Mr DeWitt C. Morrill be elected to the position vacated by Mr. Milne, and suggested an annual salary of $27 500. Mr. Wallace pointed out that Mr. Morrill has been associated with Indianhead as Director of Public Relations and Director of Investor Relations for approximately ten years.

Upon motion duly made, seconded and carried, it was

RESOLVED, that the resignation of Mr. Jack G. Milne, Vice President-Corporate Relations of the Corporation, be, and it hereby is, accepted; and

RESOLVED, that Mr. DeWitt C. Morrill be, and he hereby is, elected to the office of Vice President-Corporate Relations of the Corporation at an annual salary of $27,500.00, with duties as may be prescribed by the By-laws of the Corporation and as may be prescribed from time to time by the Board of Directors, Chairman, Co-Chairman or the President of the Corporation.

ACQUISITIONS

Yankee Motor Corporation.

Mr. Salgo advised the members of the Board of Directors that negotiations have been proceeding with Yankee Motor Corporation for some extended period of time. He called the Board's attention to the fact that the Executive Committee of the Board of Directors had previously approved this particular transaction on March 7, 1969 (Reference: BPC-3-7-69-6.) He further pointed out, however, that in the ensuing negotiations, the form and the amount of the consideration has changed from the original concept. Therefore, he asked that the Board approve and ratify this transaction in its present form.

After discussion, and upon motion duly made, seconded and carried, it was

RESOLVED, that the proposed acquisition by this Corporation's wholly - owned subsidiary, Bangor Punta Operations, Inc. ("Operations") of the business, assets and property (and the assumption of certain liabilities) owned by Yankee Motor Corporation ("Yankee"), a New York corporation, will be in the best interests of the Corporation and Operations, and that the proposed terms and conditions of such acquisition as set forth in the proposed Agreement between Operations and Yankee considered at this meeting, a copy of which is ordered attached to these Minutes and incorporated herein by reference, be, and they hereby are, approved; and

RESOLVED, that the Corporation issue to Yankee such number of its shares of Common Stock, and at such times, as shall be required by the terms of the Agreement between Yankee and Operations; and

RESOLVED, that all accounts and doings of the officers, employees and agents of this Corporation or any of them, in connection with the proposed acquisition of the business, assets and property (subject to certain liabilities) from Yankee be, and they hereby are, approved, ratified and confirmed; and

RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized to consummate the transactions provided for in the Agreement subject to the terms and conditions therein specified, and to make such amendments, modifications and supplements to the Agreement as they, in their sole discretion, with the advice of counsel, may determine; and

RESOLVED, that the proper officers of the Corporation be, and they hereby are, authorized to apply for a listing on the New York Stock Exchange, the Midwest Stock Exchange and the Pacific Coast Stock Exchange of the Common Stock to be issued by this Corporation in connection with the proposed acquisition of Yankee, and further, such officers be, and they hereby are, authorized to take any action deemed necessary in connection with such listing application including, without limitation, appearance before the aforesaid Exchanges.

ADJOURNMENT

There being no further business to come before the meeting, the same, upon motion, was duly adjourned at 11:00 A.M.

David W. Wallace

DAVID W. WALLACE, President

BANGOR PUNTA CORPORATION

WAIVER OF NOTICE OF A SPECIAL MEETING OF THE

BOARD OF DIRECTORS

We the undersigned, being Directors of Bangor Punta Corporation, a Delaware corporation, do hereby severally waive notice of the time, place and purposes of the special meeting of the Board of Directors of the said Corporation held on September 9, 1969 at 405 Park Avenue, New York, New York, and do consent to the transactions at said meeting of any or all business which may come before the same.

Nicolas M. Salgo

William C. Douglas

W. Gordon Robertson

David W. Wallace

John F. Flick

W. Jerome Strout

Harry S. Baker

James S. Carvey

William E. Hill

Curtis M. Hutchins

George S. Jones

Frederick H. Kingsbury, Jr.

Scott K. Lowry

Walter B. McKinney

George H. Seal

Robert G. Stone

James G. Tremaine

Harry C. Wood

PLAINTIFFS EX. 63

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Timothy J. Reames

September 4, 1969

cc Nicolas M. Salgo
cc John L. Flick

Bangor and Aroostook Railway Company

This will update my memorandum of July 2, 1969, with the additional information developed since that date and will summarize our discussion yesterday morning.

BASIS OF ASSETS

We are currently attempting to substantiate the tax basis of the non-depreciable assets of the railroad. Non-depreciable assets could generally be catagorized as the railroad Right of Way. The railroad has maintained its books for the ICC accounting purposes and reported this value on the financial statements. ICC values are not acceptable to the Internal Revenue Service. We do have the proper tax basis on the Rolling stock. It is not possible to estimate the tax basis of the railroad Right of Way. The only indication we have of a possible tax basis is the relation of the tax basis actually determined on approximately 42 miles of Right of Way to the ICC valuation of that property. In this one example, tax basis was approximately 62% of ICC basis.

The only readily apparent way of determining basis is to reconstruct the railroad's records. It is estimated that this will take two years. The alternative is to visit the ICC and review the figures they developed in their appraisal of railroad property in 1917. Messrs. Priddle and Gould are to visit the ICC on September 8 to determine what information, if any, is available. We are informed that the Internal Revenue Service takes a particularly hard line in requiring railroads to develop clear evidence of the basis of their Right of Way before allowing a loss.

BASIS OF THE STOCK OF THE BAR

We have made an initial determination that the basis of the BAR stock in the hands of Bangor Punta Operations on the date it acquired the stock for approximately $7 million. As you know, this is a carry-over basis from the transferring shareholders. These shareholders were polled in an attempt to determine the exact basis and approximately 35% responded. This basis is, therefore, subject to attack though our method of determining overall basis appears to be sound. Because Bangor Punta Corporation has filed a

consolidated Federal tax return including the railroad, adjustments must be made for the tax benefits derived from the railroad losses utilized on the consolidated tax return. Taking these adjustments into consideration, the current basis in the BAR stock would be approximately $2 million.

PROPOSAL TO SELL STOCK

Due to the adjustment in the basis of the stock, it would now appear that on the sale of the stock we would recognize a gain of approximately $3 million.

PROPOSAL TO SELL ASSETS

Since we are unable to determine the basis of the Right of Way, it is not possible to estimate the amount of gain or loss to be recognized on the sale of all of the assets. We do know, however, that we would recognize approximately $4.2 million gain on the sale of the Rolling Stock and recapture approximately $1.2 million in investment tax credit.

PROPOSED LEASING OF CERTAIN ASSETS AND SALE OF STOCK

If as an alternate, we transferred the Right of Way to a new subsidiary and transferred the stock of the new subsidiary to Bangor Punta Operations, we could then sell the stock of the railroad and in this manner transfer the Rolling Stock, the franchise, and like items. This would avoid recognition of the $3.2 million in gain and the recapture of the investment tax credit. The $2 million basis in the stock of the railroad would, however, be further reduced by the value of the stock of the subsidiary transferred to Bangor Punta Operations and thereby increase the gain recognized on the sale of the stock. We could then lease the assets of the new subsidiary to the purchaser of the stock. The assets would include the Right of Way. Over the period of the lease or on the event of a sale, the subsidiary would recognize the loss, if any, on those assets.

We have met with Old Colony Trust Company, and they have indicated that they would want the approval of their bondholders before they would consent to this split arrangement. They did not indicate that obtaining the consent would be a substantial problem. I am attaching a copy of the language of the agreement permitting the transfer of assets to a new corporation. It is not clear from this language whether the split transfer would qualify, but there is certainly an argument that this, in effect, is a transfer of all of the assets to a corporation operating the railroad as provided in the language.

PLAINTIFF'S EXHIBIT 64 278

BANGOR HYDRO-ELECTRIC COMPANY
BANGOR, MAINE 04401

DATE August 13, 1969

Memorandum to the Files

Parties: M. Hutchins

Subject: Preliminary Consensus between Messrs. Gould, Priddle and Hutchins on Tax Basis of Railroad Assets

Item	Book Value	Debt	Cash Sale Price	Total Sale Price	Profit (Loss)
Equipment	(IRS) 14.6m	17m*	3.2m	20.2m	5.6m
Roadway	(IRS) 15.8m (ICC) 28.9m	9.9m	1.8m	11.7m	(4.1m) (ICC) (17.2m)

The ICC book value is based on a 1915 ICC appraisal of Railroad assets based on replacement values at that time. This appraisal was made among all railroads generally to provide a comparable asset base for tariff purposes, and had no relation whatsoever to costs of the assets, many of which were put in place as early as 1892.

We feel that IRS will not accept these book figures, being inflated substantially from original costs, as the basis for a loss on a sale at this time. We feel that IRS will disallow the whole claim until such time as we can go back to the original cost figures (as distinquished from ICC arbitrary value figures). Our best estimate at the moment is that these cost figures will show a 15.8m cost base as compared to the 28.9m figures based on our books (ICC).

*Approximate.

Meeting with Austin Bailey, Esq and John Webb re transfer of assets:

1. If sale of stock - OK
2. If sale of assets in-toto - OK
3. If sold part and leased part - would require bondholder approval.

We should come back with queries if we sell part and lease part...

4M - Apparently need 100% of the approval of the bond holders to modify.

Salgo Exh 3
6-25-70 E.H.S.

EX. 4 (Flick)
JUNE 5-70 - C.R

279

BANGOR PUNTA CORPORATION

SPECIAL MEETING

of the

BOARD OF DIRECTORS

PLAINTIFF'S
EXHIBIT
U. S. Dist. Court
S. D. of N. Y.
65
MAR 19 1971

May 21, 1969

9:30 A.M.

Hutchens EX 3 (per ID)
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CORPORATE OFFICES

Bangor Punta Corporation
12th Floor Conference Room
405 Park Avenue
New York, New York 10022

BANGOR PUNTA CORPORATION

SPECIAL MEETING

of the

BOARD OF DIRECTORS

May 21, 1969

A G E N D A

I. OPENING

1. Call to order by the Chairman

2. Review and approval of Minutes of the regular Board of Directors meeting held April 1, 1969 (Resume) . . . . . Tab A

II. ACQUISITIONS

1. Piper Aircraft Corporation . . . . . Tab B

III. OPERATIONS AND ADMINISTRATION

1. Report on Bangor and Aroostook Railroad by Mr. Curtis M. Hutchins

2. Guarantee of Relocation Loans . . . . . Tab C

3. Directors

IV. OTHER MATTERS

V. CLOSING

1. Cancellation of regular Board of Directors meeting scheduled June 3, 1969

2. Next regular meeting of the Executive Committee of the Board of Directors - July 1, 1969

3. Next regular meeting of the Board of Directors - August 5, 1969

BANGOR PUNTA CORPORATION

SPECIAL MEETING

of the

BOARD OF DIRECTORS

New York, New York
May 21, 1969

Pursuant to due notice, a special meeting of the Board of Directors of Bangor Punta Corporation was held on this date at the offices of the Corporation, 405 Park Avenue, New York, New York, at 9:30 A.M.

The Chairman of the Board, Mr. Nicolas M. Salgo, presided at the meeting. The following Directors, constituting a quorum, were present:

Robert L. Chambers
James S. Garvey
William E. Hill
Curtis M. Hutchins
Frederick H. Kingsbury, Jr.
W. Gordon Robertson
Nicolas M. Salgo
W. Jerome Strout
David W. Wallace

The following Directors were unable to attend:

Harry S. Baker
William C. Douglas
George S. Jones
Scott K. Lowry
Dr. Walter B. McKinney
George H. Seal
Robert G. Stone
James G. Tremaine
Harry C. Wood

Also in attendance was Mr. John E. Flick, Senior Vice President, Secretary and General Counsel.

The Minutes of the regular meeting of the Board of Directors held April 1, 1969, having been mailed to the Directors at an earlier date, were briefly reviewed.

Upon motion duly made, seconded and carried, it was

RESOLVED, that the Minutes of the regular meeting of the Board of Directors of this Corporation held April 1, 1969, be, and they hereby are, approved.

CHEMICAL MACE

Mr. Salgo reported to the Board of Directors that he and Mr. William G. Gunn are to appear before a Commerce Sub-committee of the United States Senate regarding the civilian use of Chemical Mace and similar products. He informed the Board that it will be the position of Bangor Punta that Chemical Mace and similar products should be the subject of legislation and controls similar to those which apply to hand guns. He pointed out that Senator Moss of Utah is the Chairman of the Subcommittee and has invited Mr. Gunn and himself to testify. Copies of the statement which Messrs. Salgo and Gunn will present to the Senate Subcommittee were distributed to members of the Board and are attached hereto and made a part of these Minutes.

PIPER AIRCRAFT CORPORATION

The Chairman, Mr. Salgo, asked Mr. David W. Wallace to give the Board a status report on the Corporation's bid to acquire Piper Aircraft Corporation.

Mr. Wallace advised the Board that at the present time, the Corporation owns approximately 113,000 shares of Piper Aircraft common stock, and that under an agreement with the members of the Piper family, we have a firm contract to purchase an additional 501,090 shares. Mr. Wallace also stated that there are indications that additional blocs of stock are loyal to the Piper Aircraft management and family. He advised the Board that the press releases of Chris-Craft Industries, Inc. indicate that they own approximately 556,000 shares of Piper Aircraft common stock. Mr. Salgo pointed out that in the event we are successful in gaining a majority interest in Piper Aircraft Corporation, we may possibly be able to arrange for the liquidation of Chris-Craft's position in Piper on an installment basis. Mr. Salgo also stated that we have under consideration the possibility of making a cash tender offer if that is deemed necessary.

Mr. Salgo then stated that it would be appropriate for the Board to consider, approve and ratify the actions of the Corporation and its officers in connection with its entering into an agreement with certain shareholders of Piper Aircraft Corporation for the purchase of their stock, the purchase of other shares of Piper Aircraft stock, the proposed exchange offers to be made for Piper Aircraft stock and authority to consummate other related matters.

Upon motion duly made, seconded and carried, it was

RESOLVED, that the agreement dated as of May 8, 1969 (the "Agreement"), between this Corporation and certain shareholders of Piper Aircraft Corporation ("Piper"), a Pennsylvania corporation, whereby this Corporation agreed, among other things, subject to shareholder and regulatory approval, (i) to exchange one share of this Corporation's Common Stock, a Warrant - Series C expiring March 31, 1981, to purchase 2.2 shares of this Corporation's Common Stock and $15 principal amount of a new 5-1/2% 25 - year Convertible Subordinated Debenture (convertible into this Corporation's Common Stock) for each share of Piper Common Stock owned by such shareholders, (ii) to offer to all other Piper shareholders this Corporation's securities and/or cash having a value of at least $80 in exchange for each share of Piper Common Stock, such value to be determined by The First Boston Corporation, and (iii) if, as a result of the offer made to such other shareholders of Piper, this Corporation obtains more than 50% of the outstanding stock of Piper, to pay to the shareholders of Piper that were parties to the Agreement, the difference, if any, between $80 and the value on the date of such other offer to such other shareholders of the Common Stock, Warrants and Debentures exchanged with such shareholders for a share of Piper Common Stock, such difference, if any, to be paid in Bangor Punta Securities, having a value as determined by The First Boston Corporation, and/or cash, (a copy of the Agreement being attached to and made a part hereof), be, and the same hereby is, ratified, approved and confirmed; and

RESOLVED, that this Corporation make the exchange offers for all outstanding shares of Piper Common Stock on the basis set forth in the Agreement; provided, however, that the terms of the exchange offers may be modified, and the effective value of the exchange offers may be increased or decreased in such manner as the Chairman of the Board, the Co-Chairman of the Board or the President may from time to time determine; and

RESOLVED, that this Corporation seek the approval of its shareholders to the issuance of its securities in exchange for the Common Stock of Piper in accordance with the Agreement and that this Board recommend to such stockholders approval of such action; and

RESOLVED, that the Chairman of the Board, Co-Chairman of the Board, President, and/or any Senior Vice President be, and they hereby are, authorized and directed to make all arrangements necessary to carry out the exchange offers, including, but not limited to, the following: (a) making all other arrangements relating to the calling of a Special Stockholders Meeting for voting on the issuance of this Corporation's securities; (b) fixing the time for the commencement and expiration of the exchange offers, and arranging for any extension or extensions thereof that may deem to them desirable; (c) arranging for the services of a Dealer-Manager or Dealer-Managers, and determining their compensation; (d) determining the compensation of soliciting dealers; and (e) arranging for the services of an exchange agent and a forwarding agent, and determining their compensation; and

RESOLVED, that the proper officers of this Corporation be, and they hereby are, authorized and directed to prepare and file with the Securities and Exchange Commission a Registration Statement or Statements on Form S-1 under the Securities Act of 1933, registering securities of this Corporation for offering under the exchange offers, and Mr. John E. Flick, Senior Vice President and General Counsel, be, and he hereby is, appointed as agent for service under such Registration Statement or Statements; and that Messrs. David W. Wallace and John E. Flick be, and they hereby are, appointed as agents of this Corporation to sign on its behalf, such Registration Statement or Statements and any amendment thereto that they may deem advisable; and

RESOLVED, that the proper officers of this Corporation be, and they hereby are, authorized and directed to prepare and file a proxy statement relating to the Special Meeting of Stockholders to be called to vote on the issuance of this Corporation's securities pursuant to the exchange offers, with the Securities and Exchange Commission; and

RESOLVED, that for the purpose of the exchange offers, this Corporation create a new issue of 5-1/2% 25-year Convertible Subordinated Debentures convertible into this Corporation's Common Stock at $55 per share, which Debentures shall have other terms as may be set by the Chairman of the Board, Co-Chairman of the Board, President or any Senior Vice President; and

RESOLVED, that the President, any Senior Vice President or any Vice President, and the Secretary or any Assistant Secretary of this Corporation be, and they hereby are, authorized to execute and deliver a Debenture Indenture between the Corporation and Irving Trust Company, as Trustee, in the form presented to this meeting and filed with the Minutes hereof with such changes as the officers executing such Agreement deem appropriate, their approval of such changes to be evidenced by their execution and delivery of the Indenture Agreement; and

RESOLVED, that the President, any Senior Vice President or any Vice President of this Corporation be, and they hereby are, authorized to file with the Securities and Exchange Commission Form T-1 and such other documents and information as may be required to qualify the Debenture Indenture under the Trust Indenture Act of 1933; and

RESOLVED, that the President, any Senior Vice President or any Vice President of this Corporation be, and they hereby are, authorized in the name and on behalf of the Corporation to take any and all action which they may deem necessary in order to effect the registration or qualification (or exemption therefrom) of the exchange offers and the securities offered thereunder for issue or for sale or trade under the "Blue Sky" and securities laws of any state or possession of the United States of America, or to register or obtain a license for the Corporation as a dealer or broker under such laws as such officers may deem necessary or advisable, and in connection therewith to execute, acknowledge, verify, deliver, file or cause to be published, all such applications, reports, issuer's covenants, resolutions, irrevocable consents to service of process, powers of attorney, and other papers and instruments as may be required under such laws, and to take any and all further action which they may deem necessary or advisable to maintain such registrations, qualifications or exemptions in effect for as long as they may deem to be in the best interests of this Corporation; and

RESOLVED, that any and all haec verba resolutions appointing or authorizing officers of this Corporation to appoint governmental agencies or officials as agents for service of process which may be required by the insurance, "Blue Sky" or securities laws of any state in which registration or qualification of the exchange offers and the securities offered thereunder is deemed

necessary or advisable by the proper officers of the Corporation, be, and they hereby are, adopted; and the proper officers of the Corporation are hereby authorized to certify that such resolutions were duly adopted at this meeting and the Secretary or any Assistant Secretary of the Corporation is hereby directed to attach a copy of each resolution so certified to the Minutes of this meeting; and

RESOLVED, that this Corporation reserve for issuance pursuant to the exchange offers, such number of its shares of Common Stock as shall be required, directly or upon the exercise of Warrants issued pursuant to the exchange offers or upon the conversion of the Debentures issued pursuant thereto and that: (i) upon the exchange of Common Stock for Piper Common Stock upon the terms and conditions of the exchange offers; (ii) upon the exercise of the Warrants; and (iii) upon the conversion of the Debentures, the par value of shares of Common Stock issued in each such event shall be credited to the Common Stock account, and in the case of the Warrants and the Debentures, the remainder of the exercise price or conversion price, as the case may be, shall be credited to capital surplus on the Corporation's book of account; and

RESOLVED, that the proper officers of this Corporation are hereby authorized and directed to request to the extent necessary, consents or waivers from John Hancock Mutual Life Insurance Company and the Corporation's lending banks relating to the making of the exchange offers for the issuance of the Corporation's securities thereunder; and

RESOLVED, that applications be made to the New York Stock Exchange (and such other stock exchanges as may be deemed appropriate by the President or any Senior Vice President) for the listing of the Common Stock to be issued pursuant to the exchange offers, and the listing of the Common Stock issuable upon exercise of the Warrants-Series C expiring March 31, 1981, and upon the conversion of the 5-1/2% 25-year Convertible Subordinated Debentures issued pursuant to the exchange offers, and that Mr. John E. Flick, Senior Vice President and General Counsel, be, and he hereby is, authorized by the Corporation to sign said applications, to make such changes therein, or in any documents or agreements relative thereto, as may be desirable to conform with the requirements for listing, and to appear (if requested) before officials of any such exchanges; and

RESOLVED, that the proper officers of this Corporation be, and they hereby are, authorized to file with the Securities and Exchange Commission and such of the aforesaid and such other stock exchanges as may be required, applications on Form 10 under the Securities Exchange Act of 1934 and such other documents as may be advisable; and

RESOLVED, that applications be made to the American Stock Exchange for the listing of Warrants-Series C expiring March 31, 1981, of this Corporation to be issued pursuant to the exchange offers and that Mr. John E. Flick, Senior Vice President and General Counsel, be, and he hereby is, authorized by the Corporation to sign said application, to make such changes therein, or in any documents or agreements relative thereto, as may be necessary to conform with requirements for listing, and to appear (if requested) before officials of said Exchange; and

RESOLVED, that if the President or any Senior Vice President deem it appropriate, that applications be made to the New York Stock Exchange or such other exchanges as any of such officials designate, for the listing of the 5-1/2% 25-year Convertible Subordinated Debentures of this Corporation to be issued pursuant to the exchange offers and that Mr. John E. Flick, Senior Vice President and General Counsel, be, and he hereby is, authorized by the Corporation to sign said application and to make such changes therein, or in any documents or agreements relative thereto, as may be necessary to conform with requirements for listing, and to appear (if requested) before officials of said Exchange; and

RESOLVED, that the Letter Agreement dated May 14, 1969 between Bangor Punta International Capital Company ("BPICC"), a subsidiary of Bangor Punta Operations, Inc., a wholly-owned subsidiary of this Corporation, and F.O.F. Proprietary Funds Ltd. concerning the purchase by BPICC of 78,600 shares of the Common Stock of Piper (a copy of said Letter Agreement being attached hereto and made a part hereof), be, and the same hereby is, ratified, approved and confirmed; and

RESOLVED, that the Secretary of this Corporation be, and he hereby is, authorized and directed, acting pursuant to the By-laws of the Corporation, to notify the stockholders that a special meeting of the stockholders will be held at 2:00 P.M. on July 30, 1969, or such other date as determined by the Chairman of the Board, Co-Chairman of the Board or President, in accordance with the By-laws of the Corporation, in New York, New York, at a site to be selected by the Chairman of the Board, Co-Chairman of the Board or President; and

RESOLVED, that July 3, 1969 is hereby fixed as the Record Date for the determination of stockholders entitled to vote at said Special Stockholders Meeting.

BANGOR AND AROOSTOCK RAILROAD

Mr. Curtis M. Hutchins, as Chairman of a special committee appointed by Mr. Salgo at the Board of Directors meeting held April 1, 1969 (Reference: BPC-4-1-69-28), reported that he and Messrs. Robert G. Stone and George H. Seal (members of the special committee), have just completed a study of the situation with respect to the Bangor and Aroostock Railroad and wish to submit to the Board their unanimous report through Mr. Hutchins.

Mr. Hutchins stated that there appears to be three possibilities which could be adopted with respect to the future of the Railroad. Bangor Punta might keep the Railroad as is, merge the Railroad with another railroad if that were possible, or sell the Railroad at the best possible price.

Mr. Hutchins stated that keeping the Railroad is not very appealing. He pointed out that because of the increased use of trucks and the restricted nature of the territory involved, it is doubtful that the traffic on the Railroad will increase. It appears that if the Railroad is to break even over the next five years, it will be necessary to spend substantial amounts of money for new freight cars and other equipment. He also stated that in discussing the situation with Mr. W. Jerome Strout, President of the Railroad, it appears that the amount of money to be expended might be as much as $5,000,000. Under these circumstances, Mr. Hutchins pointed out that it becomes more and more difficult to justify retention of the Railroad.

Mr. Hutchins next discussed the second possibility, that is, consolidating with another railroad. In this connection, he felt that a combination with the Boston & Maine Railroad, if otherwise possible, might result in Bangor Punta's receiving a third to a 40% interest in a new company. The consideration, however, would be in the form of securities rather than cash. Mr. Hutchins did not feel that this would be a palatable solution.

Mr. Hutchins next considered the question of selling the Railroad and to whom it might be sold. He pointed out that neither the Penn Central nor the Norfolk and Western Railroads have any known interest in the Bangor and Aroostook Railroad and a merger with either of these railroads is very unlikely. He stated that the only person whom he knew who might be interested in the Railroad is Mr. F. C. Dumaine, Jr., Chairman of Amoskeag Company. Mr. Hutchins stated that he has had preliminary discussions with Mr. Dumaine who had indicated that he might be willing to pay $5,000,000. in cash, a combination of cash and Bangor Punta securities, or Bangor Punta securities for the stock of the Bangor and Aroostook Railroad owned by the Corporation. At this point, Mr. Salgo asked whether it might be wise to offer to Mr. Dumaine 51% of the stock of the Bangor and Aroostook Railroad at book value, with an option to purchase the remaining 49% at a higher price, with a total consideration, therefore, of approximately $7,000,000.

(At this point, Mr. Flick was called away from the meeting and Mr. Wallace acted as Secretary for the remainder of the meeting.)

Mr. Hutchins stated that, in his opinion, Mr. Dumaine would not agree to a price of $7,000,000., but that he probably would be able to obtain the approval of the Board of Directors of Amoskeag Company at a price of $5,000,000.

Mr. Hutchins stated that he is not asking for an approval by the Corporation's Board of Directors at this time, but only the authority to continue discussions with Mr. Dumaine. He stated that he wishes to first ascertain whether Amoskeag Company is willing to submit a definitive proposal.

Mr. Salgo next suggested that he would like to have Mr. Dumaine transfer to the Corporation 22,500 shares of Bangor Punta $1.25 Convertible Preference Stock as consideration for an option on 51% of the Railroad, the option to be for sixty days with the provision that the stock would be forfeited if the option is not exercised. In discussing Mr. Salgo's proposal, Mr. Strout pointed out that Mr. Dumaine also wishes to enter into an arrangement with the Maine Central Railroad; he does not believe the Maine Central Railroad will agree if such an agreement existed between Amoskeag Company and Bangor Punta Corporation.

After considerable discussion, it was the consensus of the Board that Mr. Hutchins should attempt to negotiate on the 49/51% basis suggested by Mr. Salgo, but that he has the authority to negotiate on the basis of a sale of 100% of the Bangor and Aroostook Railroad subject to further investigation of accounting and tax ramifications of such a transaction and approval by the Board of Directors or the Executive Committee of the Board of Directors.

GUARANTEE OF RELOCATION LOANS

The Chairman stated that it would be in the best interests of the Corporation to guarantee certain loans being made by employees of the Corporation in connection with the relocation of such employees to the Greenwich, Connecticut area, the new site of the Corporation's principal offices.

Upon motion duly made, seconded and carried, it was

> RESOLVED, that the Chairman, the Co-Chairman, the President, any Senior Vice President or any Vice President of this Corporation be, and they hereby are, authorized to guarantee the payment of loans made to employees of this Corporation in connection with the relocation of such employees to the Greenwich, Connecticut area, such guaranties to be in terms approved by such officers.

AUTHORIZATION FOR ACCESS TO SAFE DEPOSIT BOX

The Board adopted the following resolutions in order to give the duly authorized officers of the Corporation access to the Corporation's safe deposit box at The Putnam Trust Company.

> RESOLVED, that any two of the following officers of the Corporation; namely, Chairman of the Board, Co-Chairman of the Board, President, any Senior Vice President or any Vice President, the Treasurer or any Assistant Treasurer, the Secretary or any Assistant Secretary, and Mr. Vincent R. Nardone, as Agent, be, and they hereby are, authorized to have access from time to time to the safe deposit compartment in the vaults of The Putnam Trust Company, Greenwich, Connecticut, rented in the name of this Corporation, subject to the rules and regulations of The Putnam Trust Company; and

RESOLVED, that The Putnam Trust Company is hereby authorized and requested to grant access from time to time to said safe deposit compartment in accordance with the foregoing resolution until the authority thereby granted has been revoked and written notice of such revocation signed by an officer of this Corporation has been received by The Putnam Trust Company.

ENVIROTECH CORPORATION/BSP CORPORATION

The Chairman announced that the Corporation intended to enter into an agreement ("Agreement") to sell all of the issued and outstanding capital stock of its wholly-owned subsidiary, BSP Corporation, to Envirotech Corporation, a Delaware corporation. He stated that it was the opinion of management that it would be in the best interests of the Corporation and its sole stockholder to sell BSP Corporation. He continued by stating that the Corporation had received several inquiries from corporations interested in purchasing BSP Corporation and that the offer received from Envirotech Corporation was the most favorable.

The Agreement contemplates that the Corporation will be paid in cash the equivalent of BSP Corporation's net assets (as adjusted and defined by the proposed Agreement) which shall be determined by an audit to be undertaken by Peat, Marwick, Mitchell & Co. as of the closing date of the transaction. He further stated that the Agreement contemplates that the Rotary Equipment and Fluid Bed business now conducted by BSP Corporation would be assigned to the Bartlett-Snow Division of the Corporation, and that Bartlett-Snow would operate in such Rotary Equipment and Fluid Bed areas. Envirotech Corporation and BSP Corporation would be permitted to continue to operate in such areas, but to a limited extent. The Corporation also would assign all of its operations in the Multiple Hearth business area to BSP Corporation and would discontinue any operations in such area. He stated that currently the Corporation had no operations in such area. He distributed for examination by the members of the Board of Directors a copy of the Agreement between the Corporation and Envirotech Corporation. The Chairman also stated that Mr. Robert L. Chambers, a Director of the Corporation, is an officer, Director and principal shareholder of Envirotech Corporation.

After discussion, and upon motion duly made, seconded and carried, it was

RESOLVED, that the proposed sale by Bangor Punta Operations, Inc. (a wholly-owned subsidiary of the Corporation), of all of the issued and outstanding capital stock of BSP Corporation to Envirotech Corporation, a Delaware corporation, will be in the best interests of the Corporation and its sole stockholder, and that the proposed terms and conditions set forth in the proposed Agreement (including the Assignments required thereunder) between the Corporation and Envirotech Corporation, a copy of which is attached to these Minutes as Exhibit A and incorporated herein by reference, be, and they hereby are, approved; and

RESOLVED, that the proper officers of this Corporation be, and they hereby are, authorized to execute the Agreement in the form submitted to the meeting, subject to the terms and conditions therein specified, and make such amendments, modifications and supplements to such Agreement as they, in their sole discretion, with the advice of counsel, may determine; and

RESOLVED, that all accounts and doings of the officers, employees and agents of the Corporation, or any of them, in connection with the proposed sale of BSP Corporation to Envirotech Corporation be, and they hereby are, approved, ratified and confirmed; and

RESOLVED, that the proper officers of this Corporation be, and they hereby are, authorized to consummate the transactions provided for in the Agreement subject to the terms and conditions therein specified, and to make such amendments, modifications and supplements to the Agreement as they, in their sole discretion, with the advice of counsel, may determine.

The Chairman stated that in view of the proposed sale of BSP Corporation, it would be necessary to split up the Profit Sharing Plan and Trust Agreement which currently embraces the employees of BSP Corporation and the Bartlett-Snow Division. He stated that separate profit sharing plans and trusts would be established for BSP Corporation and for the Bartlett-Snow Division, and that Envirotech Corporation would assume the obligations under the separate BSP Corporation Profit Sharing Plan. It is anticipated that in the near future, the Bartlett-Snow Plan and Trust would be integrated into the Profit Sharing Plan and Trust of Bangor Punta Corporation.

After further discussion, and upon motion duly made, seconded and carried, it was

RESOLVED, that the Chairman of the Board, the Co-Chairman of the Board, the President, any Senior Vice President or any Vice President of this Corporation be, and they hereby are, authorized in the name and on behalf of the Corporation to execute the proposed Profit Sharing Retirement Plan and Trust of the Bartlett-Snow Division of Bangor Punta Operations, Inc., between this Corporation and Wells Fargo Bank (a copy of which is annexed to these Minutes and made a part hereof); and

RESOLVED, that all accounts and doings of the officers, employees and agents of the Corporation, or any of them, in connection with the aforesaid proposed Profit Sharing Retirement Plan and Trust be, and they hereby are, ratified, approved and confirmed; and

RESOLVED, that the proper officers of this Corporation be, and they hereby are, authorized to make such amendments, modifications and supplements to the aforesaid proposed Profit Sharing Retirement Plan and Trust as they, in their sole discretion, with the advice of counsel, may determine.

DIRECTOR'S RESIGNATION

In connection with the sale of BSP Corporation to Envirotech Corporation, Mr. Robert L. Chambers stated that he felt that since he would be an officer and one of the principal shareholders of Envirotech Corporation, it would be appropriate for him to resign as a member of the Board of Directors of Bangor Punta Corporation, and that he is, therefore, submitting his resignation effective this date.

Upon motion duly made, seconded and carried, it was

RESOLVED, that the Corporation accept, with regret, the resignation of Mr. Robert L. Chambers as a Director of the Corporation, effective May 21, 1969.

Mr. Wallace then stated that he understood Mr. Chambers' position and wished to state on behalf of himself and the Corporation how much he appreciated the contributions which Mr. Chambers has made to Bangor Punta Corporation. Other members of the Board of Directors also expressed their appreciation for Mr. Chambers' contribution to Bangor Punta. At this point, Mr. Garvey moved, and Mr. Hutchins seconded, the following resolution which was unanimously adopted by the Board of Directors.

> RESOLVED, that the President of the Corporation convey to Mr. Robert L. Chambers the appreciation of the Board of Directors for the many years of his loyal and devoted service rendered to the Corporation, and to extend to him its cordial best wishes for success in his new endeavors.

ELECTION OF A DIRECTOR

Mr. Wallace nominated Mr. John E. Flick, Senior Vice President, Secretary and General Counsel of the Corporation, to become a member of the Board of Directors of the Corporation.

After discussion, and upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that effective immediately, Mr. John E. Flick be, and he hereby is, elected a Director of this Corporation, to serve until the next Annual Meeting of Stockholders.

FUTURE BOARD OF DIRECTORS MEETINGS

Mr. Wallace pointed out that since this special meeting of the Board has been held, it is being suggested that the meeting of the Board of Directors scheduled for June 3, 1969 in Waukesha, Wisconsin, be cancelled. In addition, it was the feeling of the Board that they would like to hold the Board of Directors meeting scheduled for August 5, 1969 in Springfield, Massachusetts, at or near the Smith & Wesson facilities, and perhaps schedule a meeting in the fall in Waukesha, Wisconsin.

ADJOURNMENT

There being no further business to come before the meeting, upon motion, the same was duly adjourned at 11:45 A.M.

JOHN E. FLICK, Secretary

DAVID W. WALLACE, President

The undersigned hereby designate August 7, 1969, as the date of the Special Meeting of Bangor Punta Shareholders to be held to vote on the issuance of Bangor Punta's securities and/or cash in exchange for Piper Aircraft Corporation common stock. Such meeting shall be held at the offices of Irving Trust Company, 245 Park Avenue, New York, New York and shall commence at 11 A.M. New York time.

Dated: July 10, 1969

David W. Wallace
President

16.

BPD 2a

EX. 7 (FLICK)
JUNE 5-70-CR

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BANGOR PUNTA CORPORATION — MEMORANDUM

FROM: J. Lushing

DATE: May 20, 1969

TO: D. W. Wallace
S. Calle

RE: Bangor and Aroostook Railroad account

I spoke this afternoon with Tom Wieler of Peat, Marwick, Mitchell & Co. regarding the accounting treatment on any loss on the sale of the B & A Railroad. The Railroad is carried in our financial statements at approximately $18.5 million and the sale for $5 million would therefore result in a loss of $13.5 million. It is assumed here that we sell the stock rather than the assets and, therefore, no consideration is given to any tax effect.

Mr. Wieler feels it would be very hard to charge this loss off directly to retained earnings. He feels it would be an extraordinary charge at the bottom of the income statement, i.e., similar to our gain on the sale of JHA. It appears from the accounting bulletin that this sale would not meet any of the criteria for defining a prior period adjustment, which is the only type of an item which can be charged off directly to retained earnings. I mentioned the writeup we made of the Railroad for about $10 million in 1965, and whether we might consider the loss to the extent of this amount to be an adjustment of this. He is inclined to doubt this treatment. However, if we discuss it with the SEC and get it accepted, then I'm sure he would go along with it. You may be aware that the original writeup of the Railroad was a very sore point with the SEC at the time.

PLAINTIFF'S
EXHIBIT
U. S. Dist. Court
S. D. of N. Y
70

PLAINTIFF'S EXHIBIT 75 298

BENDIX PUNTA CORPORATION

MEMORANDUM

FROM: S. Calle

DATE: April 23, 1969

TO: N.M.S; W.G.K.; D.W.W; J.E.F. RE: Piper Acquisition

(All Figures in Thousands of Dollars)

Cash Proforma

It is assumed that BPC is going to acquire a majority of the outstanding common stock of Piper Aircraft Corporation as follows:

150,000	shares from mutual funds at $80/sh.	$ 12,000
161,000	shares through a tender offer at $80/sh.	12,880
311,000		
	Cash Total	$ 24,880

In addition, we would acquire from the "Piper Owners" Group 510,000 shs. for a package of our securities thus giving us 821,000 shs. in total, representing 50.07% of the outstanding shares of Piper (Thin Margin!!)

The question has been raised, how could we finance the cash acquisition. The answer is the following:

Funds available in few days through selling securities:

139,350	Lenox	at $48-	$6,689 (?)
48,720	AMF	at 25-	1,218
20,000	AM reinsurance	at 48-	960
			$8,867

Bank Borrowings under New Loan Agreement:

Available at closing (approximately 5/20/69) $11,000

Sale of AMF shares after exercising option:

30,000	AMF shares	5/30/69	$ 750
106,050	AMF shares	6/15/69	2,651
			$ 3,401
		Total	$23,268

In addition, as soon as we close with the Banks, we can borrow from [illegible] 2,000 short-term money.

I have to call your attention to the fact that if we are going to use all our available credit for the acquisition of Piper stock, we will not have funds available for seasonal needs and [illegible] we will have to borrow [illegible] and we will have to [illegible]

Cash Flow 1970: (Without Piper)

Source:	Profit before tax	$ 20,559
	Depreciation, amortization	4,695
	Total	$ 25,254
Application:	Federal income tax	10,000
	Capital investment	9,219
	Amortization of debt	4,589
	Dividends	3,263
	Others	180
	Total	$ 27,251

Negative Cash Flow ($1,997)

Cash Flow of Piper (50.07% Interest)

Dividend Income $1.40/year on 821,000 shares =		$ 1,149
Federal income tax		86
		$ 1,063
Interest expense on debentures Net of 50% Federal income tax	$ 191	
Dividend on 689,000 common	413	604
"Piper" Cash Flow		$ 459
Less: Dividends, interest on securities Sold (net of tax)		264
Excess Cash		$ 195

Preliminary figures indicate that we would meet the major tests under our new loan agreement if all excess cost is accepted by the Banks. Acquisition of Piper would be treated as "Purchase" and therefore, without giving effect to any writeup, the existing excess cost figure would increase substantially.

	Without Piper	%	With Piper	%
Net Worth	122,210	100.0	157,359	100.0
Excess Cost	40,482	33.1	88,797	56.4
Debt	118,898	97.3	136,548*	86.8

*Convertible debentures treated as debt.

(cont'd)

The net tangible assets would decrease from $81,723 to $68,562

Earnings/Share (excluding gain from sale of securities and other extraordinary items).

BPC without Piper	$ 2.24
BPC with 50.1% of Piper	2.27
BPC with 100% of Piper	2.11

(BPC projected 1969 and Piper actual 1968)

Earnings of Piper in first quarter ended 12/31/68

	Prior Year		Current Year	
Sales	24,153	100%	21,437	100%
Gross Profit	5,030	20.8%	4,519	21.0%
Profit before taxes	2,715	11.2%	2,087	9.7%
Net Income	1,343	5.6%	977	4.6%
Earnings per share	82¢		60¢	

Decrease in Sales 11.2%

PLAINTIFF'S EXHIBIT 76

300

D. D. Wallace

April 29, 1969

H. M. Salyo
W. G. Robertson
J. E. Flick
S. Golle

PIPER AIRCRAFT ACQUISITION

CONFIDENTIAL

The acquisition of Piper Aircraft by Bangor Punta is desirable because of the company's long standing desire to achieve a place in the small aircraft business. However, there are serious problems to the Piper acquisition, mainly arising from the large adverse ownership interest of Chris Craft, the management problems of Piper and the high price-earnings ratio in relation to the relatively low price-earnings ratio of Bangor Punta.

Therefore, unless any of the recipients of this memorandum feel to the contrary, the following ground rules should prevail:

1. The package of securities to be paid by Bangor Punta should be tied to the $80 market value figure at the time the offer is made and to a yield approximating the current dividend yield of $1.40 per share on the Piper stock.

2. No cash should be paid out by Bangor Punta for shares of Piper unless Bangor Punta is certain of obtaining the 50.1% control of the Piper stock.

3. The escrow agreement for the 510,000 shares of the Piper family stock should be of at least two years duration -- in view of the possibilities of opposition from Chris Craft and timing of Bangor Punta's securities offer to best possible market conditions.

4. No commitments of any sort should be given by Bangor Punta concerning the proposed Piper acquisition until after Bangor Punta's Financial Group have a chance to determine the reliability of the $3 per share projection of Piper for the current fiscal year.

5. No commitment for the Piper acquisition should be given by Bangor Punta until the Legal Department has had a chance to review all current and pending litigation between Chris Craft and Piper so as to determine

PLAINTIFF'S EXHIBIT

CONFIDENTIAL

From: D. W. Wallace
To: H. J. Gilpo
W. G. Robertson
J. E. Flick
S. Golle

April 28, 1969
Re: PIPER AIRCRAFT
ACQUISITION

its possible implications to Bangor Punta. In addition, as a result of this review by the Legal Department, an appreciation should be given to Bangor Punta's Executive Committee of the possible legal entanglements once Bangor Punta's tender offer becomes public.

6. Clearance with both the S.E.C. and the N.Y.S.E. should be obtained before Bangor Punta binds itself in any way to proceed with the Piper acquisition.

It is essential that all of the foregoing points be resolved to the satisfaction of Bangor Punta before any commitment whatsoever is given concerning Piper.

DWW:la

DWW

SECURITIES AND EXCH
WASHINGTON,

MAR 16 1971

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FORM

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Chris-Craft Industries, Inc.

(Exact name of registrant as specified in charter)

600 Madison Avenue, New York, New York 10022
(Address of principal executive offices)

C. LEONARD GORDON, ESQ.
Vice President and General Counsel
CHRIS-CRAFT INDUSTRIES, INC.
600 Madison Avenue
New York, New York 10022
(Name and address of agent for service)

Copies of communications to:

SAMUEL C. BUTLER, ESQ.
CRAVATH, SWAINE & MOORE
1 Chase Manhattan Plaza
New York, New York 10005

JOHN K. SCHEMMER, ESQ.
CARTER, LEDYARD & MILBURN
2 Wall Street
New York, New York 10005

Approximate date of commencement of the proposed sale to the public:
As soon as practicable after the Registration Statement becomes effective

CALCULATION OF REGISTRATION FEE

Title of each class of securities being registered	Amount being registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Preferred Stock, $ Convertible Series of 1969	400,000 shs.	$65.00(1)	$26,000,000	$5,200
Warrants to purchase shares of Chris-Craft Common Stock ...	400,000	$20.00(1)	$ 8,000,000	$1,600
Common Stock, $1.00 par value ..	880,000 shs.(2)	—	—	None

(1) Estimated solely for the purpose of determining the registration fee.

(2) Such shares are being reserved by the Registrant for issuance upon conversion of the Preferred Stock and exercise of the Warrants being registered hereunder. The number of reserved shares of Common Stock stated above represents the number of shares estimated to be initially reserved on conversion of all the shares of Preferred Stock and on exercise of all the Warrants. Since the terms of the Preferred Stock and Warrants are, as more fully set forth herein, subject to adjustment upon the happening of certain events, the maximum number of shares of Common Stock which may be issuable on conversion of the Preferred Stock and exercise of the Warrants cannot presently be determined. Accordingly, this Registration Statement covers, in addition to the number of shares of Common Stock stated above, an indeterminate number of shares of Common Stock, which, by reason of adjustments in the conversion or exercise terms, may be required to be issued upon the conversion of the Preferred Stock and exercise of the Warrants.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

CHRIS-CRAFT INDUSTRIES, INC.

Cross Reference Sheet Pursuant to Rule 404(c) Between Registration Statement (Form S-1) and Form of Prospectus

Registration Statement Item	Section in Prospectus
1. Distribution Spread	Cover Page; Exchange Offer—Solicitation of Acceptances
2. Plan of Distribution	Cover Page; Exchange Offer—Solicitation of Acceptances
3. Use of Proceeds to Registrant	*
4. Sales Otherwise than for Cash	*
5. Capital Structure	Capitalization
6. Summary of Earnings	Statements of Consolidated Income of Chris-Craft and Subsidiaries; Statements of Consolidated Income of Piper; Pro Forma Statements of Income
7. Organization of Registrant	Business and Property of Chris-Craft
8. Parents of Registrant	*
9. Description of Business	Business and Property of Chris-Craft; History, Business and Property of Piper
10. Description of Property	Business and Property of Chris-Craft; History, Business and Property of Piper
11. Organization within 5 years	*
12. Pending Legal Proceedings	Litigation
13. Capital Stock Being Registered	Description of $ Preferred Stock Offered Hereby; Description of Warrants Offered Hereby
14. Long-Term Debt Being Registered	*
15. Other Securities Being Registered	*
16. Directors and Executive Officers	Management
17. Remuneration of Directors and Officers	Management
18. Options to Purchase Securities	Employee Stock Option, Stock Purchase and Profit Sharing Plans
19. Principal Holders of Securities	Principal Holders of Voting Securities
20. Interest of Management and Others in Certain Transactions	Management
21. Financial Statements	Financial Statements

*Omitted as inapplicable.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State. The information contained herein is subject to completion or amendment.

PRELIMINARY PROSPECTUS DATED FEBRUARY 27, 1969

EXCHANGE OFFER FOR COMMON STOCK OF PIPER AIRCRAFT CORPORATION

CHRIS-CRAFT INDUSTRIES, INC.

Chris-Craft Industries, Inc. ("Chris-Craft") hereby offers to exchange its Preferred Stock, $ Convertible Series of 1969 ("$ Preferred Stock"), and warrants to purchase Chris-Craft Common Stock at $ per share ("Warrants") for a minimum of 80,000 and up to 300,000 shares of Piper Aircraft Corporation ("Piper") Common Stock in the ratio of

1 SHARE OF CHRIS-CRAFT $ CONVERTIBLE PREFERRED STOCK and **1 WARRANT TO PURCHASE 1 SHARE OF CHRIS-CRAFT COMMON STOCK**

FOR

EACH SHARE OF PIPER COMMON STOCK

The $ Preferred Stock (a) is entitled to cumulative quarterly cash dividends at the rate of $ per year beginning the Effective Date of Exchange, (b) is convertible immediately into shares of Chris-Craft Common Stock, (c) is redeemable after one year at $65 per share, (d) is entitled to votes per share and (e) is entitled to $65 per share upon liquidation.

Each Warrant entitles the holder to purchase one share of Chris-Craft Common Stock at any time on or before March 31, 1974 at a purchase price of $, payable in cash.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Tendering Piper shareholders (a) will receive the regular quarterly 35¢ dividend of Piper payable on March 17, 1969, regardless of when their Piper shares are tendered and (b) will be paid interest at the rate of 7% per annum on an amount equal to $ for each share tendered from the date of receipt by the Exchange Agent of properly tendered certificates or a "protect" letter or telegram from certain banks or brokers (see *"Exchange Offer—Method of Exchange"*) promising future delivery (and followed by proper tender) to the Effective Date of Exchange.

Subject to the conditions of the Exchange Offer, Chris-Craft will accept all shares properly tendered in excess of 80,000 and up to 300,000 shares and may, at its option, accept any additional shares tendered. If less than all such additional shares are accepted, tendered shares will be accepted on a pro-rata basis for shares tendered during the first ten days and on a first-come, first-served basis for shares tendered thereafter. See *"Exchange Offer—Acceptance of Tenders"*.

As of the date hereof, Chris-Craft owns 547,016 shares of Piper Common Stock representing approximately 33.36% of the presently outstanding Piper Shares.

For information as to the market prices of Chris-Craft and Piper Common Stock, see *"Comparative Market Prices"*. There is no present market for the $ Preferred Stock or Warrants. Application has been made to list the $ Preferred Stock on the New York Stock Exchange and the Warrants on the American Stock Exchange.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 1969, UNLESS EXTENDED

Loeb, Rhoades & Co. and Shields & Company Incorporated, as Dealer Managers, have agreed to use their best efforts to arrange for Soliciting Dealers, including themselves, to solicit acceptances of the Exchange Offer. Chris-Craft has agreed to pay the Dealer Managers a management fee of ¢ for each Piper share accepted by Chris-Craft pursuant to the Exchange Offer but not less than $. Soliciting Dealers, including the Dealer Managers, will be paid a fee of $1.00 for each Piper share accepted where such dealer is named in the Letter of Tender accompanying such share. See *"Exchange Offer—Solicitation of Acceptances"*.

LOEB, RHOADES & CO. SHIELDS & COMPANY Incorporated

The date of this Prospectus is , 1969.

Statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon as having been authorized by Chris-Craft or any other person. This Prospectus does not constitute an offer to exchange or sell, or a solicitation of an offer to exchange or buy, the securities covered by this Prospectus by Chris-Craft or any other person in any state or other jurisdiction to any person to whom it is unlawful for Chris-Craft or any other person to make such offer or solicitation. Neither the delivery of this Prospectus, nor any exchange or sale made hereunder shall, under any circumstances, create an implication that there has been no change in the facts herein set forth since the date hereof.

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Until , 1969 (being 40 day after the date hereof), all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters.

EXCHANGE OFFER

Exchange Terms

Chris-Craft hereby offers to exchange (i) one share of its $ Preferred Stock and (ii) one Warrant, granting the holder the right to purchase one share of Chris-Craft Common Stock for $, for each outstanding share of Piper Common Stock for a minimum of 80,000 and up to 300,000 Piper shares, all in accordance with this Exchange Offer.

Exchange Agent

The Exchange Agent for the Exchange Offer is:

The Bank of New York
20 Broad Street
Stock Transfer Department, 6th Floor

Additional copies of this Prospectus may be obtained from Chris-Craft; Loeb, Rhoades & Co., 42 Wall Street, New York, N. Y. 10005; Shields & Company Incorporated, 44 Wall Street, New York, N. Y. 10005; from any broker or dealer; from The Kissell-Blake Organization, Inc., 50 Broadway, Room 2104, New York, N. Y. 10004; or from the Exchange Agent.

Tendered Common Stock

All tenders of Piper Common Stock will be irrevocable. Transfers of record of tendered stock will not be made before the Effective Date of Exchange. Certificates for tendered stock which are not tendered in proper form will be held by the Exchange Agent and a correction letter forwarded to the tendering Piper stockholder. Until the Effective Date of Exchange, ownership of tendered shares of stock will remain in the tendering holders unimpaired except for Chris-Craft's right to acquire such ownership pursuant to the Exchange Offer.

If, at any time prior to the Expiration Date, Chris-Craft shall improve the terms of the Exchange Offer in any way, such improvement will extend to all shares previously tendered pursuant to the Exchange Offer.

Interest to Be Paid on Tendered Common Stock

Piper shareholders will be paid interest on the shares of Piper Common Stock tendered by them at the rate of 7% per annum on an amount equal to $ for each share tendered, during the period commencing on the date of receipt by the Exchange Agent of properly tendered certificates or receipt by the Exchange Agent of a letter or telegram from a commercial bank or trust company in the United States or a member firm of the New York or American Stock Exchange or a member of the National Association of Securities Dealers, Inc., referred to in *"Method of Exchange"* below (and followed by proper tender of the shares) and ending on the Effective Date of Exchange. The price of $ represents the assumed fair market value of the one share of $ Preferred Stock and one Warrant offered hereby and has been used in preparing the pro forma balance sheets set forth elsewhere herein. Such valuation was made on March , 1969, on which date Chris-Craft Common Stock closed on the New York Stock Exchange at $ per share. No representation is made that $ is or will be the fair market value of such securities.

Acceptance of Tenders

If 80,000 or more shares of Piper Common Stock are tendered, Chris-Craft will accept for exchange all shares tendered up to 300,000 shares. Chris-Craft will not accept less than 80,000 shares of Piper Common Stock. If more than 300,000 Piper shares are tendered, Chris-Craft will accept for exchange 300,000 shares and may, at its option, accept for exchange all or any part of the excess. If less than

all excess shares are accepted, shares tendered prior to 5:00 P. M., New York City Time, on 1969 will be accepted on a basis as nearly as may be pro-rata and shares tendered thereafter will be accepted on a first-come, first-served basis. If the exchange offer is extended, Chris-Craft will, at the time of extension, accept all shares therefore tendered (if more than 80,000 shares) and will thereafter accept for exchange on a first-come, first-served basis such additional shares as will bring the total shares tendered and accepted up to 300,000 and may, at its option, accept for exchange all or any part of the excess, also on a first-come, first-served basis. See *Conditions of the Exchange Offer.*

Expiration Date

Except as provided under *Conditions of the Exchange Offer*, the Exchange Offer will expire at 5:00 P.M., New York City Time, on , 1969, or at that time on any later date to which the Exchange Offer may be extended from time to time by written notice from Christ-Craft to the Exchange Agent (the "Expiration Date"). Chris-Craft intends to cause notice of any extension of the Expiration Date to be published in The Wall Street Journal and The New York Times and possibly in other newspapers selected by it.

Effective Date of Exchange

The Effective Date of Exchange for all shares of Piper Common Stock properly tendered and accepted by Chris-Craft on or before the Expiration Date will be the Expiration Date or, at Chris-Craft's option, on such earlier date as such shares are accepted by Chris-Craft. If the Exchange Offer is extended by Chris-Craft, the Effective Date of Exchange in respect of shares tendered prior to 5:00 P.M., New York City Time, on , 1969, and accepted by Chris-Craft will be that date and for all shares tendered thereafter will be the date on which such shares are accepted by Chris-Craft.

Chris-Craft Shareholder Approval

At a Special Meeting of Shareholders of Chris-Craft to be held on , 1969, the Chris-Craft shareholders will be asked to approve the issuance of Chris-Craft securities in connection with the proposed acquisition of Piper Common Stock. If the affirmative vote of a majority of the shareholders voting, assuming a quorum is present in person or by proxy, is not obtained, the Exchange Offer will be terminated.

Conditions of the Exchange Offer

Chris-Craft reserves the right to terminate or, in a manner not detrimental to the tendering holders of Piper Common Stock, to amend, the Exchange Offer at its election at any time prior to the Expiration Date if, at such time, (a) the shareholders of Chris-Craft have not approved the issuance of Chris-Craft securities in connection with the proposed acquisition of Piper Common Stock or (b) in the opinion of Chris-Craft, any material increase in the aggregate number of outstanding shares of stock of Piper or any material change in the capitalization, operations or financial condition of Piper has been proposed or made or exists. If the Exchange Offer is terminated for any reason, all shares of Piper Common Stock theretofore tendered and not accepted will be returned forthwith.

It has been announced that Piper may issue to Grumman Aircraft Engineering Corp. 300,000 authorized but unissued shares of Piper Common Stock at $65 per share. Chris-Craft has taken legal action in an attempt to prevent the issuance of such shares. See *Additional Information With Respect to the Exchange Offer.* The issuance of such shares would, in Chris-Craft's opinion, constitute a "material increase in the aggregate number of outstanding shares of stock of Piper" and, theretofore, would be a basis for the termination of the Exchange Offer, although Chris-Craft would have the right to accept any tendered Piper shares even if such 300,000 shares were issued.

Delivery of $ Preferred Stock and Warrants

Deliveries of $ Preferred Stock and Warrants to exchanging holders of Piper Common Stock will be made as soon as practicable after the Effective Date of Exchange. All deliveries will be made through the Exchange Agent.

Method of Exchange

A holder of shares of Piper Common Stock may tender such shares by filling in and signing the Letter of Tender accompanying this Prospectus and forwarding the Letter of Tender, together with his stock certificates, to the Exchange Agent on or prior to the Expiration Date. *Do not send Letters of Tender or stock certificates to Chris-Craft.* If prior to the Expiration Date Piper shall establish a record date for any dividend, distribution, stock split, reclassification or other change in its Common Stock, the execution of the Letter of Tender by any Piper stockholder will constitute a transfer to Chris-Craft of all his rights to receive the Piper securities or other assets to which such stockholder may become entitled as a result of such dividend, distribution, split, reclassification or other change, and Chris-Craft will be entitled to receive such assets and all certificates for such securities if the tendered Piper shares are accepted by Chris-Craft. As stated above, the foregoing does not apply to the cash dividend payable on Piper Common Stock on March 17, 1969.

Piper shares will be deemed to have been duly tendered (i) if a properly executed Letter of Tender, accompanied by stock certificates, has been deposited prior to the Expiration Date with the Exchange Agent or (ii) if the Exchange Agent shall (a) have received from a commercial bank or trust company in the United States or a member firm of the New York or American Stock Exchange or a member of the National Association of Securities Dealers, Inc., prior to the Expiration Date, a letter or telegram giving the name of the tendering holder and the number of shares tendered, and guaranteeing delivery of the tendered shares (in which case, subject to subsequent compliance with clause (b) below, the shares to which the letter or telegram relates shall be deemed properly tendered as of the date of receipt of the letter or telegram), and (b) thereafter have received the Letter of Tender and tendered certificates within eight business days after the relevant Effective Date of Exchange. Any irregularities in connection with the tender of shares must be cured within such time as Chris-Craft shall determine, unless waived by Chris-Craft in its sole discretion.

Irrevocable Proxy

In addition to transferring the shares of Piper Common Stock tendered, execution of the Proxy which is part of the Letter of Tender will grant an irrevocable proxy to Chris-Craft by the holder of record of the shares of Piper Common Stock tendered. In the event shares of Piper Common Stock are tendered by the beneficial holder of such shares and it is impracticable for such beneficial holder to obtain the signature of the record holder on the irrevocable proxy, Chris-Craft will waive the requirement that such proxy be signed. The proxy will expire if the Exchange Offer is terminated by Chris-Craft and will be used by Chris-Craft only if the related shares are accepted by Chris-Craft prior to the use of such proxy.

Federal Income Tax Status

Chris-Craft has been advised by Messrs. Cravath, Swaine & Moore, counsel to Chris-Craft, that in their opinion, Piper stockholders who exchange their shares for $ Preferred Stock and Warrants will realize gain or loss for Federal income tax purposes and that:

(a) An exchanging stockholder will realize gain or loss in the taxable year in which the Effective Date of Exchange occurs, measured by the difference between (i) the fair market value of the $ Preferred Stock and Warrants on the Effective Date of Exchange and (ii) his basis in the Piper shares exchanged.

(b) The gain or loss realized by an exchanging stockholder will be capital gain or loss if the stock he exchanges is a capital asset in his hands. The gain or loss will be long-term or short-term, depending on whether the exchanging stockholder has, on the Effective Date of Exchange, held his Piper Common Stock for more than six months.

(c) No gain or loss will be recognized to a holder of $ Preferred Stock upon the conversion by him of all or a portion of his shares of such stock into Chris-Craft Common Stock.

No opinion is expressed with respect to the tax consequences of the exchange to an exchanging stockholder who is a dealer in securities or is otherwise ineligible for capital gain or loss treatment, or who is a member of a special class of taxpayers subject to taxation under special provisions of the Internal Revenue Code. It is suggested that any such exchanging stockholder consult his tax advisor.

Solicitation of Acceptances

Loeb, Rhoades & Co. and Shields & Company Incorporated, as Dealer Managers, have agreed with Chris-Craft to use their best efforts to arrange for selected securities dealers ("Soliciting Dealers"), including themselves, to solicit acceptances of the Exchange Offer. The Dealer Managers and other Soliciting Dealers may be deemed to be underwriters within the meaning of the Securities Act of 1933. Chris-Craft has agreed to indemnify the Dealer Managers and other Soliciting Dealers against certain liabilities, including liabilities under the Securities Act of 1933.

Armand G. Erpf, a general partner of Loeb, Rhoades & Co., and H. V. Sherrill, an officer of Shields & Company Incorporated, are both directors of Chris-Craft.

The Dealer Managers are to receive a management fee of ¢ per share accepted by Chris-Craft but not less than $. In addition, Chris-Craft will reimburse the Dealer Managers for their reasonable expenses (including legal fees) in connection with the Exchange Offer. A Soliciting Dealer who has entered into a Soliciting Dealer Agreement with the Dealer Managers and whose name has been inserted by the depositing Piper stockholder in a duly executed Letter of Tender, filed with the Exchange Agent, will be entitled to a fee of ¢ per share for each share of Piper Common Stock purchased by Chris-Craft pursuant to such Letter of Tender. The Dealer Managers will receive fees for solicitations at the same rate as other Soliciting Dealers.

Chris-Craft has also agreed to pay The Kissell-Blake Organization, Inc., a fee of $ plus out-of-pocket expenses estimated at $ to assist in the solicitation of tenders from Piper stockholders.

Payment of Expenses

The expenses to be incurred in connection with the Exchange Offer will be borne by Chris-Craft. Such expenses, including printing, accounting and legal fees, fees for registering the shares of $ Preferred Stock and Warrants under Federal and state securities laws, stock transfer taxes and miscellaneous other items, cannot be estimated with accuracy because of the variable factors involved. It is estimated that Chris-Craft's total expenses will not exceed approximately $ plus $ per share accepted.

Transfer Taxes

Chris-Craft will pay all transfer taxes applicable to the transfer to it of shares of Piper Common Stock purchased under the Exchange Offer, except that a tendering holder will bear any taxes which are payable because the $ Preferred Stock or Warrants are to be issued in a name other than the name in which the Piper Common Stock is registered.

Additional Information With Respect to the Exchange Offer

On January 24, 1969, Chris-Craft made an offer to holders of Piper Common Stock to purchase shares of such stock for cash, at $65 per share net. 304,516 shares of Piper Common Stock were tendered to Chris-Craft pursuant to that offer, which expired on February 3, 1969, all of which shares were purchased by Chris-Craft. Both before and after January 24, 1969, Chris-Craft purchased additional shares of Piper Common Stock in the open market and in a negotiated transaction so that as of the date hereof, Chris-Craft is the owner of 547,016 shares of Piper Common Stock, which represents approximately 33.36% of the outstanding Piper Common Stock.

The Proxy Statement of Piper dated January 3, 1969, shows 325,422 shares of Piper Common Stock, which represents approximately 19.8% of the outstanding common stock, owned beneficially by the directors of Piper, certain members of their families and certain companies controlled by them.

By telegram dated January 25, 1969, and letter dated January 27, 1969, the management of Piper urged the shareholders of Piper not to tender their shares to Chris-Craft in response to the aforesaid offer at $65 per share. On January 29, 1969 the management of Piper announced that it had entered into an agreement with Grumman Aircraft Engineering Corp. ("Grumman") pursuant to which Grumman agreed to purchase 300,000 authorized but unissued shares of Piper Common Stock at $65 per share. Chris-Craft has brought an action in the Federal District Court for the Southern District of New York alleging, generally, that the acquisition by Grumman of 300,000 shares of Piper Common Stock would violate the Federal antitrust laws. Christ-Craft has been informed by representatives of the Department of Justice that the Department is investigating the antitrust implications of the proposed purchase by Grumman of Piper Common Stock.

Chris-Craft may, during the pendency of the Exchange Offer, purchase shares of Piper Common Stock on national securities exchanges at prices then current thereon or otherwise at negotiated prices.

On February 7, 1969, the Board of Directors of Chris-Craft approved a two-for-one split of its Common Stock subject to the approval of its shareholders. No information in this Prospectus with respect to Chris-Craft stock prices, number of shares, conversion rates or other information relating to Chris-Craft securities has been adjusted to give effect to such split. (See footnote (7) under *"Capitalization"*.)

If the Exchange Offer is successfully completed, Chris-Craft presently intends to combine its business with that of Piper through merger or otherwise. The specific terms of such combination are not presently known and it is possible that the then holders of Piper Common Stock may receive consideration in an amount equal to or higher or lower than that offered pursuant to the Exchange Offer. However, no assurance can be given that any such combination will be attempted or consummated.

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CAPITALIZATION

The capitalization of Chris-Craft as of January 31, 1969, and Piper as of September 30, 1968 (as set forth in its 1968 Annual Report to Stockholders) and as adjusted to give effect to the Exchange Offer, assuming that 300,000 Piper shares are accepted by Chris-Craft, are as follows:

	Authorized or to be Authorized	Outstanding	To be Outstanding
Long-Term Debt—includes amounts due within one year(1):			
Chris-Craft—			
5¾% Promissory Notes due 1968-1979	$19,000,000	$17,500,000	$17,500,000
Other notes payable	—	$ 599,000	$ 599,000
7% Subordinated Debentures, due September 30, 1972	$ 4,481,900	$ 3,780,000	$ 3,780,000
6% Convertible Subordinated Debentures, due 1989	$25,723,200	$25,723,200	$25,723,200
Piper—			
5⅛% Notes due 1975-1984	$10,000,000	$10,000,000	$10,000,000
Capital Stock:			
Chris-Craft—			
Preferred Stock, $1 par value	2,000,000 shs.		
$ Convertible Series of 1969		—	300,000 shs.(2)
Prior Preferred Stock, without par value (3)	257,481 shs.	227,546 shs.	227,546 shs.
$1.40 Convertible Preferred Stock, $1 par value (3)	2,000,000 shs.	713,310 shs.(5)	713,310 shs.(5)
Common Stock, $1 par value (7)	5,742,519 shs.	1,505,474 shs.(6)	1,505,474 shs.(6)
Piper—			
Preferred Stock, $5 par value	100,000 shs.	—	—
Common Stock, $1 par value	5,000,000 shs.	1,639,600 shs.	792,584 shs.(2)(8)
Warrants to Purchase Common Stock:			
Chris-Craft—			
Warrants to purchase at $ per share	—	—	300,000(2)
Warrants to purchase at $25.31 per share	—	96,306	96,306

(1) See Notes (5) and (11) of "Notes to Consolidated Financial Statements" of Chris-Craft and Note 6 of "Notes to Consolidated Financial Statements" of Piper for further details with respect to the long-term debt.

(2) Assuming the tender and exchange of 300,000 shares of Piper.

(3) The Prior Preferred Stock has a $1.00 cumulative annual dividend and each share is convertible into .50723 share of $1.40 Convertible Preferred Stock until June 1, 1971. See "Description of $ Preferred Stock Offered Hereby" for further details with respect to the convertibility of the Prior Preferred Stock.

(4) The $1.40 Convertible Preferred Stock has a $1.40 cumulative annual dividend, payable in shares of $1.40 Convertible Preferred Stock of the value of $1.20 and cash of $.20 per annum through March 31, 1973, and thereafter payable entirely in cash. The $1.40 Convertible Preferred Stock is convertible into Common Stock. See "Description of $ Preferred Stock Offered Hereby" for further details with respect to the convertibility of the $1.40 Convertible Preferred Stock.

(5) In addition 129,343 shares of $1.40 Convertible Preferred Stock are reserved for issuance upon conversion of shares of Prior Preferred Stock and upon exercise of certain stock options assumed by Chris-Craft upon its merger with Baldwin-Montrose. See "Description of $ Preferred Stock Offered Hereby" and "Employee Stock Option, Stock Purchase and Profit Sharing Plans."

(6) In addition 1,649,345 shares of Common Stock are reserved for issuance upon conversion of 842,653 shares of $1.40 Convertible Preferred Stock (both outstanding and reserved for issuance as stated in Note (5) above), upon exercise of certain warrants, upon conversion of 6% Convertible Subordinated Debentures, upon exercise of stock options and under the Employees' Stock Purchase Plan of Chris-Craft. In addition to the above, a maximum of shares of common stock will be reserved for issuance upon conversion of the $ Preferred Stock and upon exercise of warrants issuable in connection with the Exchange Offer. On January 14, 1969, the Board of Directors authorized an increase of 150,000 in the number of shares subject to the Employees' Stock Option Plan, subject to stockholder approval. Options have been granted for 9,500 of such shares. See "Description of $ Preferred Stock Offered Hereby", "Description of Warrants Offered Hereby" and "Employee Stock Option, Stock Purchase and Profit Sharing Plans."

(7) On February 7, 1969, the Board of Directors approved a two-for-one split of Common Stock subject to the approval of the shareholders. It is the intention of Chris-Craft that the split shares will pay dividends, subject to such factors as the Board of Directors may deem relevant, including earnings, business conditions and the financial position of Chris-Craft at the time consideration is given thereto, at an annual rate of $.60 per share, of which $.50 will be in shares of Common Stock and $.10 will be in cash. The shares issuable pursuant to the stock split have not been reflected above.

(8) Exclusive of 847,016 shares to be held by Chris-Craft.

CHRIS-CRAFT INDUSTRIES, INC.
AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

The following statements of consolidated income of Chris-Craft Industries, Inc. and subsidiaries for the five years and eight months ended August 31, 1968, have been examined by Arthur Andersen & Co., independent public accountants, whose report, based upon their examinations and reports of other auditors, is included in this Prospectus. The statement of consolidated income for the eight months ended August 31, 1967, was prepared from unaudited financial statements of Chris-Craft and, in the opinion of management, all adjustments (which included only normal recurring adjustments) necessary to present fairly the results of operations for such period have been made. These statements should be read in conjunction with the consolidated financial statements and related notes included elsewhere herein.

	Year Ending December 31					Eight Months Ended August 31 (Note 1)	
	1963	1964	1965	1966	1967	1967	1968
			(Note 2)			(Unaudited)	
	In thousands of dollars (except per share figures)						
OPERATING REVENUES:							
Sales of manufactured products	$69,247	$66,276	$70,874	$67,784	$72,205	$49,718	$51,896
Television revenues	7,428	9,183	12,660	12,136	13,572	8,708	10,196
	$76,675	$75,459	$83,534	$79,920	$85,777	$58,426	$62,092
OPERATING EXPENSES:							
Cost of manufactured products sold	$57,405	$54,142	$56,523	$54,509	$59,649	$40,842	$43,242
Television expenses	3,984	4,812	6,866	6,756	7,509	4,972	5,580
Selling, general and administrative	7,811	8,792	10,167	10,475	10,998	7,637	8,184
	$69,200	$67,746	$73,556	$71,740	$78,156	$53,451	$57,006
Operating income	$ 7,475	$ 7,713	$ 9,978	$ 8,180	$ 7,621	$ 4,975	$ 5,086
OTHER INCOME (EXPENSE):							
Dividends from Montrose California, 50% owned	$ 400	$ 50	$ 100	$ 400	$ 300	$ 200	$ 250
Interest income	77	168	305	655	675	380	377
Interest expense	(1,761)	(1,792)	(2,043)	(2,013)	(2,037)	(1,394)	(1,288)
Other	179	126	22	67	(62)	94	(121)
	$(1,105)	$(1,448)	$(1,616)	$ (891)	$(1,124)	$ (720)	$ (782)
Income from continuing operations before Federal income taxes	$ 6,370	$ 6,265	$ 8,362	$ 7,289	$ 6,497	$ 4,255	$ 4,304
Federal income taxes on above	2,766	2,944	3,951	3,286	2,956	2,002	2,093
NET INCOME FROM CONTINUING OPERATIONS	$ 3,604	$ 3,321	$ 4,411	$ 4,003	$ 3,541	$ 2,253	$ 2,211
Net (loss) from discontinued operations after related tax benefits (3)	$ (704)	$ (14)	$ (11)	$ —	$ —	$ —	$ —
INCOME BEFORE EXTRAORDINARY ITEMS	$ 2,900	$ 3,307	$ 4,400	$ 4,003	$ 3,541	$ 2,253	$ 2,211
Extraordinary items (4)	(1,429)	880	214	962	439	439	—
NET INCOME	$ 1,471	$ 4,187	$ 4,614	$ 4,965	$ 3,980	$ 2,692	$ 2,211
PREFERRED STOCK DIVIDEND REQUIREMENTS	$ 1,075	$ 998	$ 964	$ 915	$ 967	$ 609	$ 831
NET INCOME APPLICABLE TO COMMON STOCK	$ 396	$ 3,189	$ 3,650	$ 4,050	$ 3,013	$ 2,083	$ 1,380
AVERAGE OUTSTANDING SHARES OF COMMON STOCK	1,673,352	1,672,378	1,656,188	1,629,643	1,296,653	1,315,731	1,188,762
PER SHARE OF COMMON STOCK (5):							
Net income from continuing operations	$1.51	$1.39	$2.08	$1.90	$1.98	$1.25	$1.16
Income before extraordinary items	1.09	1.38	2.07	1.90	1.98	1.25	1.16
Extraordinary items, net of taxes	(.85)	.53	.13	.59	.34	.33	—
Net income	$ .24	$1.91	$2.20	$2.49	$2.32	$1.58	$1.16
Cash dividends	$ —	$ —	$ —	$ .25	$1.30	$ .75	$ .75
Stock dividends	5%	5%	5%	5%	—	—	—

	Year Ending December 31, 1967	Eight Months Ended August 31 (Note 1)	
		1967	1968
	(Note 2)	(Unaudited)	
Pro Forma Per Share of Common Stock (5)			
Assuming conversion as of the beginning of the period of all convertible securities and exercise of options and warrants:			
Income before extraordinary items ...	$1.63	$1.07	$ .97
Extraordinary items, net of taxes	.19	.19	—
Net income	$1.82	$1.26	$ .97

NOTES TO STATEMENTS OF CONSOLIDATED INCOME

(1) In 1968, Chris-Craft changed its fiscal year from December 31 to August 31. Certain businesses of Chris-Craft are seasonal, and accordingly the operating results for the eight months ended August 31, 1967 and 1968 are not indicative of operating results for the twelve months then ended. Operating revenues and net income (in thousands) and per share data for the twelve months ended August 31, 1967 and 1968 were as follows:

	Twelve Months Ended August 31	
	1967	1968
	(Unaudited)	
Operating revenues	$86,895	$89,030
Income before extraordinary items	$ 3,998	$ 3,488
Extraordinary items, net of taxes	(14)	—
Net income	$ 3,984	$ 3,488
Preferred Stock dividend requirements	1,008	1,193
Net income applicable to common stock	$ 2,976	$ 2,295
Per share of common stock:		
Income before extraordinary items	$2.13	$1.89
Extraordinary items, net of taxes	(.01)	—
Net income	$2.12	$1.89
Pro forma per share of common stock:		
Income before extraordinary items	$1.80	$1.56
Extraordinary items, net of taxes	(.01)	—
Net income	$1.79	$1.56

The data for the twelve months ended August 31, 1967 was prepared from unaudited financial statements of Chris-Craft and, in the opinion of management, all adjustments (which included only normal recurring adjustments) necessary to present fairly the results of operations for such period have been made.

(2) The statements of consolidated income have been restated to include the operations of Baldwin-Montrose Chemical Company, Incorporated which was merged with and into Chris-Craft in June 1968 and accounted for on a pooling of interests basis. In connection therewith, 702,263 shares of $1.40 Convertible Preferred Stock were issued to Baldwin-Montrose shareholders and 732,519 shares of Chris-Craft common stock, including 587,000 shares held by Baldwin-Montrose at the date of merger, were retired as treasury stock. The operating revenues, income before extraordinary items, and net income, retroactively included for the pooling of interests, are as follows (in thousands):

Operating revenues—$9,390 in 1963, $9,481 in 1964, $10,376 in 1965, $10,018 in 1966 and $9,604 in 1967.
Income before extraordinary items—$828 in 1963, $1,149 in 1964, $1,142 in 1965, $1,125 in 1966 and $574 in 1967.
Net income (loss)—($601) in 1963, $2,029 in 1964, $1,356 in 1965, $2,087 in 1966 and $1,013 in 1967.

(3) The net loss from discontinued operations is stated after related tax credits of $674,000 in 1963, $302,000 in 1964 and $62,000 in 1965.

(4) Extraordinary items and the related Federal income taxes or credits represent: (a) loss in 1963 on disposal of Baldwin Rubber Division's assets of $1,429,000 after tax credit of $460,000; (b) income tax reductions of $880,000 in 1964 and $135,000 in 1965 resulting from operating loss carryforwards; (c) gain in 1965 on sale of 50 per cent interest in Montrose International, S. A. of $301,000 after taxes of $140,000; (d) loss in 1965 on sale of 70 per cent interest in

General Artists Corporation of $222,000 after tax credit of $50,000; (e) gain in April, 1966 on sale of common stock of Paramount Pictures Corporation of $1,415,000 after taxes of $330,000; (f) loss in December, 1966 on liquidation of investment in Cyclamate Corporation of America of $453,000 after tax credit of $223,000; (g) gain in May, 1967 on involuntary conversion, representing the excess of insurance proceeds over net book value of buildings and equipment destroyed by an explosion, of $252,000 after deferred taxes of $233,000; and (h) gain in June, 1967 on sale of patent and related know-how of $187,000 after taxes of $63,000.

(5) Earnings per share of common stock are based on the average number of shares outstanding during each period, after giving effect retroactively to 5% stock dividends in each of the years 1963 through 1966. In computing per share data, shares of Chris-Craft held by Baldwin-Montrose were considered as treasury stock as of dates of purchase by Baldwin-Montrose.

(6) Depreciation expense (exclusive of amounts charged to discontinued operations) included in the accompanying statements of consolidated income is $1,389,000 in 1963, $1,424,000 in 1964, $1,524,000 in 1965, $1,568,000 in 1966, $1,653,000 in 1967, $1,134,000 and $1,216,000 for the eight months ended August 31, 1967 and 1968, respectively, and $1,553,000 and $1,688,000 for the twelve months ended August 31, 1967 and 1968, respectively.

The principal factors adversely affecting operating income during certain periods covered by the foregoing statements were as follows: (a) a strike in the Boat Division in 1966, (b) a decline in sales of products to the automotive industry in 1966 and 1967 and (c) a decline in gross profit margins in the Boat Division, which was the largest contributing factor to lower net income before extraordinary items for the twelve months ended August 31, 1968, as compared with the twelve months ended August 31, 1967 (unaudited) set forth in Note (1) to the statements of consolidated income.

Operating results for the four-month periods ended December 31, 1967 and 1968 are summarized below:

	Four months ended December 31,	
	1967	1968
Operating revenues	$26,938,000	$30,577,000
Income before Federal income taxes	$ 2,318,000	$ 3,294,000
Provision for Federal income taxes	1,041,000	1,647,000
Net income	$ 1,277,000	$ 1,647,000
Average common shares outstanding	1,250,054	1,401,613
Net income per average common share	$ .73	$ .87
Pro forma net income per share of common stock, assuming conversion as of the beginning of the period of all convertible securities and exercise of options and warrants	$ .58	$ .65

The foregoing amounts, which are unaudited, include all adjustments (which included only normal recurring adjustments) which Chris-Craft considers necessary for a fair presentation of these results.

PIPER AIRCRAFT CORPORATION

STATEMENTS OF CONSOLIDATED INCOME

The following statements of consolidated income of Piper Aircraft Corporation and subsidiary have been prepared from information included in Annual Reports on Form 10-K filed by Piper with the Securities and Exchange Commission under the Securities Act of 1934. In this regard, it should be noted that the Securities and Exchange Commission does not approve or disapprove, or pass upon the accuracy or adequacy of, financial statements or other information filed with it. Chris-Craft cannot warrant the accuracy or completeness of the information concerning Piper contained herein or that events, unknown to Chris-Craft, have not occurred which would affect the significance or accuracy of such information. These statements should be read in conjunction with the other financial statements of Piper and related notes appearing elsewhere in this Prospectus.

	Year Ended September 30,				
	1964	1965	1966	1967	1968
Sales	$54,378,377	$69,086,308	$81,312,624	$80,439,241	$96,723,812
Cost of sales	40,852,943	51,567,828	61,266,328	66,358,918	79,045,228
Gross profit from sales	13,525,434	17,518,480	20,046,296	14,080,323	17,678,584
Selling and shipping expenses	3,004,645	3,648,299	4,628,155	5,566,528	6,494,391
Administrative and general expenses	1,440,290	1,756,767	2,167,490	2,427,792	2,656,501
Operating profit	9,080,499	12,113,414	13,250,651	6,086,003	8,527,692
Interest and other income	290,081	274,464	441,097	368,501	322,988
Interest expense	—	—	(98,111)	(633,456)	(612,264)
Income before taxes	9,370,580	12,387,878	13,593,637	5,821,048	8,238,416
Provision for income taxes:					
Federal	4,480,000	5,700,000	6,227,000	2,618,000	4,047,000
State	410,000	490,000	496,000	212,000	328,000
Net income	$ 4,480,580	$ 6,197,878	$ 6,870,637	$ 2,991,048	$ 3,863,416
Net income per share of common stock (Note 1)	$2.77	$3.82	$4.23	$1.83	$2.36
Cash dividends per share of common stock (Note 2)	$1.00	$1.35	$1.50	$1.40	$1.40

NOTES:

(1) Net income per share of common stock has been computed based on average shares outstanding during each year after adjusting for issuance in fiscal 1965 of one additional share for each two shares previously outstanding.

(2) Cash dividends per share of common stock have been adjusted for the issuance in fiscal 1965 of one additional share for each two shares previously outstanding.

(3) Depreciation included above amounted to $777,167 in 1964, $804,315 in 1965, $934,833 in 1966, $1,562,299 in 1967 and $1,687,146 in 1968.

Piper's 1967 Annual Report to Stockholders stated that

"The reduced earnings for the year were the result of a combination of several factors. While total dollars of sales were approximately the same as in 1966, sales for 1967 included higher volumes of the lower priced models which produce lower margins. Programs initiated to increase our production facilities and improve our competitive position in the industry involved increased overhead costs which, in the absence of the higher sales volume anticipated for the year, contributed to lower profit margins. The demand for the Cherokee models required expansion of the labor force, and the training of these new employees resulted in higher than normal production cost. The introduction of the Navajo and the Cherokee Arrow required higher production start up costs which are normal to new production models. Interest on borrowed capital needed to finance plant expansion and inventories of new models also became a significant factor in 1967.

"Operating results for the year reflect a significant write down of inventory in the fourth quarter to adjust higher production costs incurred early in the year to the lower costs being experienced at the end of the year when volume and efficiency had increased."

Piper's 1968 Annual Report to Stockholders stated that

"The 1968 gross dollar value and net income would have been appreciably higher had production at the Lock Haven plant been able to keep pace with the increased demand for Navajos and Aztecs, which developed late in the fiscal year. Production losses were experienced by the introduction of new models and the transfer of certain parts manufacturing operations from Lock Haven to newly acquired plants at Quehanna and Renovo. Production interruptions were also suffered at both the Lock Haven and Vero Beach plants from the results of a prolonged strike at Piper's engine supplier's plant.

"Net income was also adversely affected late in the year by increased provisions to reserves for doubtful receivables, primarily as a result of the substantial increases in sales to customers located outside the United States with proportionately greater collection risks than Piper has experienced in domestic business."

On January 29, 1969, Piper issued the following announcement:

"Piper Aircraft Corporation's sales for the three months ended December 31, 1968 totalled $21,436,546, compared with $24,152,856 in the corresponding period of 1967, it was announced today by C. W. Pool, treasurer.

"Net income during the period totalled $977,473 against $1,342,928 for the similar period a year ago. Earnings per share of common stock were 60¢ compared with 82¢ a year ago.

Comparative figures are:

	Three Months Ended December 31, 1968	December 31, 1967
Sales	$21,436,546	$24,152,856
Cost of sales	16,917,899	19,123,300
Gross profit from sales	4,518,647	5,029,556
Selling & administrative expenses	2,369,210	2,234,872
Interest & other income & expenses—net	61,964	79,756
Income before income taxes	2,087,473	2,714,928
Provision for income taxes	1,110,000	1,372,000
Net income	977,473	1,342,928
Net income per share	60¢	82¢
Shares outstanding	1,639,675	1,638,800

"Backlog of orders for multi-engine aircraft is exceptionally strong and two new models of the single-engine line will be introduced next week. It is expected that the second quarter will show a substantial improvement over the first quarter, Mr. Pool said."

CHRIS-CRAFT INDUSTRIES, INC. AND SUBSIDIARIES
and
PIPER AIRCRAFT CORPORATION AND SUBSIDIARY
PRO FORMA STATEMENTS OF INCOME

The following pro forma statements are based on the operations of Chris-Craft for the year ended August 31, 1968, and the operations of Piper for the year ended September 30, 1968, assuming Chris-Craft owned (a) 38.24% or (b) 51.66% of Piper Common Stock as of the beginning of the period. At February 7, 1969, Chris-Craft owned 33.36% of Piper and, assuming (1) Chris-Craft acquires an additional (a) 80,000 shares or (b) 300,000 shares pursuant to the Exchange Offer and (2) the number of shares of Piper Common Stock outstanding remains at 1,639,600, Chris-Craft will own (a) 38.24% or (b) 51.66% of the Piper Common Stock, respectively. Reference is made to the financial statements of the constituent companies and the notes thereto appearing elsewhere herein. The amounts for Piper contained herein have been taken from Annual Reports on Form 10-K filed by Piper with the Securities and Exchange Commission under the Securities Act of 1934. In this regard it should be noted that the Securities and Exchange Commission does not approve or disapprove, or pass upon the accuracy or adequacy of, information filed with it. Chris-Craft cannot warrant the accuracy or completeness of the information concerning Piper contained herein or that events, unknown to Chris-Craft, have not occurred which would affect the significance or accuracy of such information.

	Chris-Craft	Piper	Pro Forma Assuming Piper Is	
	Year Ended August 31, 1968	Year Ended September 30, 1968	38.24% Owned	51.66% Owned
		(Thousands of dollars)	(Note 1)	
OPERATING REVENUES:				
Sales of manufactured products	$73,970	$96,724	$73,970	$170,694
Television revenues	15,060	—	15,060	15,060
	89,030	96,724	89,030	185,754
OPERATING EXPENSES:				
Cost of manufactured products sold	61,769	79,045	61,769	140,814
Television expenses	8,117	—	8,117	8,117
Selling, general and administrative	11,384	9,479	11,384	20,863
	81,270	88,524	81,270	169,794
Operating income	7,760	8,200	7,760	15,960
OTHER INCOME (EXPENSE):				
Dividend income	350	—	1,228	350
Interest income	639	323	639	962
Interest expense	(2,013)	(612)	(4,201)	(4,813)
Other	(114)	—	(114)	(114)
	(1,138)	(289)	(2,448)	(3,615)
Income before Federal income taxes and minority interest	6,622	7,911	5,312	12,345
FEDERAL INCOME TAXES	3,134	4,047	2,082	6,061
Income before minority interest	3,488	3,864	3,230	6,284
MINORITY INTEREST	—	—	—	1,868
NET INCOME (Notes 4, 5 and 6)	3,488	3,864	3,230	4,416
DIVIDEND REQUIREMENTS ON PREFERRED STOCK (Other than Residual Preferred) (Note 2)	1,193	—	1,193	1,193
NET INCOME APPLICABLE TO COMMON STOCK AND RESIDUAL PREFERRED	$ 2,295	$ 3,864	$ 2,037	$ 3,223
AVERAGE OUTSTANDING SHARES OF COMMON STOCK (Including Residual Preferred) (Notes 2 and 7)	1,215,514			
NET INCOME PER SHARE OF COMMON STOCK (Including Residual Preferred) (Note 2)	$1.89			
PRO FORMA NET INCOME PER SHARE OF COMMON STOCK, assuming conversion as of the beginning of the period of all convertible securities and exercise of options and warrants	$1.56		(3)	(3)

NOTES TO PRO FORMA STATEMENTS OF INCOME

(1) If Chris-Craft acquires a majority interest in Piper Common Stock, the accounts of Piper will be consolidated with those of Chris-Craft on a purchase basis. In this event, Chris-Craft will include the results of Piper's operations only after the date of acquisition. If Chris-Craft acquires less than a majority interest in Piper Common Stock, the transaction will be recorded as an investment at the cost of the 33.36% interest purchased for cash consideration of approximately $34,500,000 and the shares acquired pursuant to the Exchange Offer at the estimated value of the $ Preferred Stock and Warrants issued in connection therewith (at estimated market value of $ per share of $ Preferred Stock and $ per Warrant, for a total of $). In this event Chris-Craft will record as income the dividends received applicable to its Piper Common Stock, which dividend is presently at the annual rate of $1.40 per share.

The following summarizes the effect of the adjustments reflected in the pro forma statements of income:

	Pro Forma Assuming Piper Is	
	38.24% Owned	51.66% Owned
	(Thousands of Dollars)	
Chris-Craft net income	$3,488	$3,488
Add (Deduct):		
Dividend income on investment in Piper Common Stock	878	—
Piper net income	—	3,864
Minority interest in Piper net income	—	(1,868)
Estimated interest requirements on cost of 547,016 shares of Piper Common Stock	(2,188)	(2,188)
Income tax effect of adjustments for dividend income and interest expense	1,052	1,120
Pro forma net income	$3,230	$4,416

(2) The $ Preferred Stock to be issued pursuant to the Exchange Offer will be a residual security in accordance with Opinion 9 of the Accounting Principles Board of the American Institute of Certified Public Accountants. Accordingly, the shares to be issued are shown as the equivalent shares of Common Stock into which they are convertible, as of the beginning of the period, and the annual dividend is excluded from dividend requirements on preferred stock.

(3) The pro forma earnings per share of Common Stock of (a) $ and (b) $ in the Pro Forma Columns assume (1) the issuance, as of the beginning of the period, of (a) 80,000 or (b) 300,000 shares of $ Preferred Stock and (a) 80,000 or (b) 300,000 Warrants to purchase Common Stock pursuant to the Exchange Offer, and (2) the conversion, as of the beginning of the period, of Chris-Craft's $25,723,200 principal amount of 6% Convertible Subordinated Debentures sold in December 1968, since the proceeds were used to acquire Piper Common Stock, and the interest requirements thereon are included as a pro forma adjustment.

(4) The excess of purchase price over the book value of the 51.66% interest acquired, assuming Chris-Craft acquires an additional 300,000 shares of Piper Common Stock, amounting to $, is shown as an intangible asset. No allocation to other accounts has been made since the necessary information for such an allocation is not available. Chris-Craft does not intend to amortize this intangible asset since its management is of the opinion that there will be no diminution in value. To the extent that amounts are allocated to balance sheet items subject to depreciation or amortization, charges to income will result.

(5) Chris-Craft provides for depreciation, in general, on the straight-line method for financial reporting purposes. Accelerated methods are used for income tax reporting and the current reduction in income taxes payable resulting therefrom are credited to deferred taxes. Piper provides for depreciation, in general, for both financial reporting and income tax purposes on accelerated methods for new assets acquired since January 1, 1954, and straight-line methods for assets acquired prior thereto and used equipment acquired since that date. Chris-Craft plans to conform Piper's method of accounting for depreciation to the method followed by Chris-Craft. A pro forma adjustment to reflect this reduction in depreciation charges, less deferred taxes, has not been made since the necessary information is not available.

(6) In December, 1968, Chris-Craft sold $25,723,200 principal amount of 6% Convertible Subordinated Debentures. The initial annual interest requirement on such Debentures is $1,543,380. This requirement does not include a provision for amortization of imputed discount which would arise if a portion of the proceeds from the sale of the Debentures were allocated to the conversion feature. The Accounting Principles Board of the American Institute of Certified Public Accountants (APB) has suspended and is reconsidering that portion of the APB Opinion No. 10 which would require such allocation and amortization, but this requirement may be reinstated retroactively. If Chris-Craft were required to account for such imputed discount in accordance with APB Opinion No. 10, and if it is estimated that the amount of such discount would be approximately $4,000,000, the annual amortization of such discount on a straight-line basis would be approximately $200,000. Chris-Craft does not intend to recognize such a discount unless it is required to do so, and if so required, the amount ultimately recognized may be different from that stated above.

(7) On February 7, 1969, the Board of Directors of Chris-Craft authorized a two-for-one split of the Common Stock, subject to stockholder approval. The effect of the stock split has not been reflected in the foregoing statements.

CHRIS-CRAFT INDUSTRIES, INC. AND SUBSIDIARIES
and
PIPER AIRCRAFT CORPORATION AND SUBSIDIARY
CONDENSED PRO FORMA BALANCE SHEETS

Pro forma adjustments have been applied to the historical balance sheet of Chris-Craft as of August 31, 1968, and of Piper as of September 30, 1968, assuming that Chris-Craft acquires (a) 80,000 or (b) 300,000 shares of Piper Common Stock pursuant to the Exchange Offer and that the outstanding Piper Common Stock remains at 1,639,600. Reference is made to the financial statements of the constituent companies and the notes thereto appearing elsewhere herein. The amounts for Piper contained herein have been taken from Annual Reports on Form 10-K filed by Piper with the Securities and Exchange Commission under the Securities Act of 1934. In this regard, it should be noted that the Securities and Exchange Commission does not approve or disapprove, or pass upon the accuracy or adequacy of, information filed with it. Chris-Craft cannot warrant the accuracy or completeness of the information concerning Piper contained herein or that events, unknown to Chris-Craft, have not occurred which would affect the significance or accuracy of such information.

	Chris-Craft	Piper	Pro Forma Assuming Piper Is	
	August 31, 1968	September 30, 1968	38.24% Owned	51.66% Owned
		(Thousands of dollars)	(Note 1)	
CURRENT ASSETS:				
Cash and marketable securities	$ 14,745	$ 4,500	$ 20,526	$ 25,026
Other current assets	31,552	37,396	31,552	68,948
	46,297	41,896	52,078	93,974
INVESTMENT IN PIPER AIRCRAFT CORPORATION	—	—		—
PROPERTY, PLANT AND EQUIPMENT, NET (Notes 2 and 3)	19,304	12,062	19,304	31,366
INTANGIBLE ASSETS (Note 2)	27,572	—	27,572	
OTHER INVESTMENTS, FILM CONTRACT RIGHTS AND OTHER ASSETS	16,933	211	17,375	17,586
	$110,106	$ 54,169	$	$
CURRENT LIABILITIES	$ 16,676	$ 9,099	$ 31,676	$ 40,775
LONG-TERM DEBT	22,125	10,000	47,848	57,848
OTHER NON-CURRENT LIABILITIES	4,691	—	4,691	4,691
MINORITY INTEREST	—	—	—	16,953
STOCKHOLDERS' INVESTMENT:				
Preferred stock	20,453	—	25,653	39,953
Common stock (Note 4)	2,147	1,640	2,147	2,147
Capital surplus	23,689	8,969		
Retained earnings	20,325	24,461	20,325	20,325
	66,614	35,070		
	$110,106	$ 54,169	$	$

NOTES TO CONDENSED PRO FORMA BALANCE SHEETS

(1) If Chris-Craft acquires a majority interest in Piper Common Stock, the accounts of Piper will be consolidated with those of Chris-Craft. If Chris-Craft acquires less than a majority interest in Piper Common Stock, the transaction will be recorded as an investment at the cost of the 33.36% interest purchased for cash consideration of approximately $34,500,000 and the shares acquired pursuant to the Exchange Offer at the estimated value of the $ Preferred Stock and Warrants issued in connection therewith (at estimated market value of $ per share of $ Preferred Stock and $ per Warrant for a total of $). In this event Chris-Craft will record as income the dividends received applicable to its Piper Common Stock, which dividend is presently at the annual rate of $1.40 per share.

The pro forma balance sheets give effect to the following adjustments:

Assuming Piper is either 38.24% or 51.66% owned—

(a) Issuance of $25,723,200 principal amount of 6% Convertible Subordinated Debentures Due 1989, net of $442,000 expenses of issuance.

(b) Borrowing of $15,000,000 under short-term bank loan in February, 1969.

(c) Purchase of 547,016 shares of Piper Common Stock (33.36% interest) for cash consideration of approximately $34,500,000.

Assuming Piper is 51.66% owned—

(d) Issuance of 300,000 shares of Chris-Craft $ Preferred Stock (at a stated value of $65 per share) and 300,000 Warrants to purchase Chris-Craft Common Stock (at estimated market value of $ per share of $ Preferred Stock and $ per Warrant, for a total of $) in exchange for 300,000 shares of Piper Common Stock (18.30% interest).

(e) Elimination of the stockholders' investment accounts of Piper and recording of the minority interest of 48.34% applicable to the shares not being acquired by Chris-Craft.

Assuming Piper is 38.24% owned—

(d) Issuance of 80,000 shares of Chris-Craft $ Preferred Stock (at a stated value of $65 per share) and 80,000 Warrants to purchase Chris-Craft Common Stock (at estimated market value of $ per share of $ Preferred Stock and $ per Warrant, for a total of $) in exchange for 80,000 shares of Piper Common Stock (4.88% interest).

(2) The excess of purchase price over the book value of the 51.66% interest acquired, assuming Chris-Craft acquires an additional 300,000 shares of Piper Common Stock amounting to $ is shown as an intangible asset. No allocation to other accounts has been made since the necessary information for such an allocation is not available. Chris-Craft does not intend to amortize this intangible asset since its management is of the opinion that there will be no diminution in value. To the extent that amounts are allocated to balance sheet items subject to depreciation or amortization, charges to income will result.

(3) Chris-Craft provides for depreciation, in general, on the straight-line method for financial reporting purposes. Accelerated methods are used for income tax reporting and the current reductions in income taxes payable resulting therefrom are credited to deferred taxes. Piper provides for depreciation, in general, for both financial reporting and income tax purposes on accelerated methods for new assets acquired since January 1, 1954, and straight-line methods for assets acquired prior thereto and for used equipment acquired since that date. Chris-Craft plans to conform Piper's method of accounting for depreciation to the method followed by Chris-Craft. A pro forma adjustment to reflect this reduction in depreciation charges, less deferred taxes, has not been made since the necessary information is not available.

(4) On February 7, 1969, the Board of Directors of Chris-Craft authorized a two-for-one split of the Common Stock, subject to stockholder approval. The effect of the stock split has not been reflected in the foregoing statement.

(5) In accordance with the terms of the Exchange Offer, tendering Piper shareholders will be paid interest at the rate of 7% per annum of an amount equal to $ per share, from the date of tender of Piper shares to the Effective Date of Exchange. No effect has been given to such interest or to other expenses which will be incurred in connection with the Exchange Offer.

COMPARATIVE MARKET PRICES

The range of market prices of the Chris-Craft Common Stock and Piper Common Stock on the New York Stock Exchange was as follows for the periods indicated:

	Chris-Craft		Piper	
	High	Low	High	Low
1967				
First quarter	$34	$21⅝	$52	$39½
Second quarter	41⅝	28⅞	56½	43
Third quarter	39⅜	32¼	56¼	48⅛
Fourth quarter	45⅞	31⅛	56	44½
1968				
First quarter	43⅞	26½	54½	48
Second quarter	41⅝	28¼	72¼	49⅛
Third quarter	45	32⅜	65⅜	51
Fourth quarter	41⅜	35	55⅞	51¼
1969				
First Quarter (through , 1969)				

The closing prices on the New York Stock Exchange for Chris-Craft Common Stock and Piper Common Stock on , 1969, were $ and $, respectively.

On January 21, 1969, the day prior to the initial announcement of Chris-Craft's $65 cash offer for Piper Common Stock, the closing prices on the New York Stock Exchange for the Chris-Craft Common Stock and Piper Common Stock were $49⅞ and $51⅞, respectively. On February 26, 1969, the trading day prior to the public announcement of the proposed exchange, the closing prices on the New York Stock Exchange for said shares of Common Stock were $50¼ and $68⅛, respectively.

The Board of Directors of Chris-Craft at a meeting held on February 7, 1969, voted to split the Chris-Craft Common Stock on the basis of two shares of such Common Stock for each share outstanding. Such action requires, among other things, the vote of a majority of the Chris-Craft stock entitled to vote on such matters and a majority vote of the Chris-Craft Common Stock. The information contained in this Prospectus does not give effect to such stock split. Also at that meeting, the Board of Directors of Chris-Craft announced that it was the present intention of the Board, subject to such factors as the Board may deem relevant, including earnings, business conditions and the financial position of Chris-Craft at the time consideration is given thereto, to pay stock dividends at the rate of 50¢ and cash dividends at the rate of 10¢ per annum on the new split shares, as compared to the annual dividend rate of $1.00 per share in cash which was paid by Chris-Craft during 1968.

BUSINESS AND PROPERTY OF CHRIS-CRAFT

Boat Division

Chris-Craft manufactures inboard and inboard-outboard motor pleasure boats, houseboats and sailboats of fiberglass, wood, steel and aluminum to an overall length of 60 feet.

At the present time, Chris-Craft is manufacturing and selling 56 basic models in eight different lines ranging in length from 17 to 60 feet and selling at retail from $4,750 to $298,700. During the last model year, which ended August 31, 1968, approximately half of the dollar volume in the boat division was derived from sales of boats 35 feet and longer, which in most cases sell at retail in excess of $25,000.

Each basic model can be varied by the addition of special equipment and several power options are available. During the last model year no one basic model in any line accounted for more than approximately 7% of Chris-Craft's boat sales.

The Chris-Craft engine division produces gasoline marine engines ranging in size from 60 to 310 horsepower, which can be installed in all inboard models of Chris-Craft boats.

All boats and engines are sold with a two-year (or 400 operating hours) warranty to the first use purchaser on parts made by Chris-Craft and with a one-year (or 200 operating hours) warranty as to the labor costs incurred in replacing defective Chris-Craft parts. Those engines, engine parts and accessories which are manufactured by other companies (and usually warranted by them) are not covered by the Chris-Craft warranties.

The principal materials for boats are fiberglass, wood, plywood, steel, aluminum, engine components, glass, fastenings, upholstery, hardware and miscellaneous equipment. For its wood boats Chris-Craft is now using mainly Philippine mahogany and marine plywood. Engine components are purchased from various manufacturers. A number of suppliers are available to manufacture hardware to Chris-Craft's specifications and to provide glass, fastenings, upholstery and miscellaneous equipment.

Chris-Craft sells to approximately 400 independent dealers who are located throughout the United States and in many foreign countries. During the last model year no one dealer accounted for as much as 12% of the sales of the boat division. Separate franchises are granted with respect to each Chris-Craft line, but a given dealer may hold more than one franchise. All the franchises may be cancelled by notice by either party. The heaviest concentration of dealers is found in the North Atlantic states, the Great Lakes area, Florida and California.

As of January 31, 1969, Chris-Craft's Boat Division had a backlog of dealer orders amounting to approximately $30,613,000 as compared to a backlog of approximately $20,622,000 at the same time in 1968. The dealer order backlog at this stage in the model year should not be taken as necessarily indicative of sales or earnings for any period; these will depend upon the ability of the Boat Division to produce and ship boats as well as upon continued demand at the dealer and retail level and other factors.

The boat business is seasonal and manufacturers generally experience an inventory buildup in the late fall and early winter with the peak period for sales occurring in the spring and early summer. To meet the problems posed by the seasonal factor, Chris-Craft offers discounts on most wood boats ordered for early delivery.

Competition

The boat business in which Chris-Craft is engaged is highly competitive and, because of the large number of models of boats offered by Chris-Craft, it has different competitors in different price ranges. Since many boat builders do not report their unit or dollar volume, no complete industry statistics are available. For this reason, Chris-Craft is unable to state its percentage of total industry sales volume. Chris-Craft believes, however, that it has the largest dollar volume of pleasure motor boat sales in the world. A number of companies, several of which are substantially larger than Chris-Craft, have recently acquired other companies which manufacture and sell boats. As a result, Chris-Craft now faces competition from companies with larger and more varied boat lines and greater resources than it has faced in the past.

Employees

As of January 31, 1969, Chris-Craft's Boat Division had approximately 3,474 employees. Most of its hourly paid employees are represented by unions. Chris-Craft believes that the current relationship between management and employees is satisfactory. Collective bargaining agreements with unions at a

number of the boat plants expire within the next six months. Negotiations with respect to two plants are now in progress.

Plants and Properties

Chris-Craft's boat operations are carried on in 12 plants each of which has its own equipment, such as fiberglass facilities, woodworking mills, machine shops, lumber kilns and spray painting booths, to meet its requirements. The following table sets forth certain data with respect to each plant:

Location(1)	Plant Size(2)	Acres
Pompano Beach, Florida	230,000	69
Algonac, Michigan	280,000	52
Holland, Michigan (2 plants)	510,000	89
Salisbury, Maryland	318,000	56
Cortland, New York	87,000	40.5
Chattanooga, Tennessee	203,000	10
Gallipolis, Ohio (engines only)	79,000	32.3
Edenton, North Carolina	79,000	54
Fiumicino, Italy	75,000	3
Stratford, Ontario, Canada	80,000	27
Taipei, Taiwan	15,600	3.5

(1) All land and plants are owned except the Fiumicino, Italy plant and the Taipei, Taiwan plant which are on leased land.
(2) Includes factory and office space. Expressed in square feet.

Television Broadcasting Division

Chris-Craft, through separate subsidiaries, owns and operates three very high frequency (VHF) television stations: KCOP in Los Angeles, California, WTCN-TV in Minneapolis-St. Paul, Minnesota and KPTV in Portland, Oregon. None of the stations is affiliated with a national network. The following table sets forth certain data with respect to each of the stations:

Station and Location	Frequency and Channel	Estimated Population in Area Effectively Served*	Estimated Television Homes*	Number of Other Competing Commercial Television Stations	Expiration Date of FCC License
KCOP Los Angeles	VHF 13	11,400,500	3,741,800	6 VHF 4 UHF	12/1/71
WTCN-TV Minneapolis-St. Paul	VHF 11	2,835,800	844,100	3 VHF 0 UHF	4/1/71
KPTV Portland	VHF 12	1,921,000	624,400	3 VHF 0 UHF	2/1/72

*Based on American Research Bureau November and December 1968 Market Reports.

Programming

Most of the programming is supplied by outside producers and the balance is produced by the television stations. Programs obtained from outside producers consist basically of syndicated half-hour and hour shows, most of which have been shown previously on a network, and feature films which have been licensed for television use. Each station produces programming directed to meet the needs and interests of the area served, such as sports, children's programming and local news and events.

Sources of Revenue

The two principal sources of revenue for Chris-Craft's stations are national spot advertising and local advertising. The relative approximate contributions of these two sources to Chris-Craft's gross revenues from television advertising during the twelve months ended August 31, 1968, were 57% and 43%, respectively.

National Spot Representation

In 1968 Chris-Craft organized Tele-Rep, Inc., a wholly-owned subsidiary, to represent the Chris-Craft and other television stations in obtaining national spot advertising. Previously the Chris-Craft stations had been represented by two independent national spot sales firms.

Color Telecasting

Chris-Craft's broadcasting facilities have color video tape machines and color cameras which enable the stations to originate live color programs. The stations are also equipped to telecast color films, tapes and slides.

Property

KCOP owns its studios and offices in a building in Los Angeles containing approximately 36,400 square feet located on a site of approximately 1.23 acres which is also owned by KCOP.

KPTV owns its studios and offices in a building in Portland, Oregon, containing approximately 33,520 square ft. Its transmitter is located on its own property at a separate site.

WTCN-TV leases its offices and studios in Minneapolis, Minnesota, under a lease which expires on January 2, 1970, with an option to renew until January 2, 1971, if exercised by August 31, 1969. Its transmitter is located on the Foshay Tower in downtown Minneapolis under a lease expiring on December 1, 1973. WTCN-TV has filed an application with the Federal Communications Commission ("FCC") and the Federal Aviation Agency for the construction of a new tower, transmitter and transmitter building and antenna, on land owned by WTCN-TV. It is expected that construction will commence this year, if approved.

Employees

The television stations have approximately 270 full-time employees, of whom about 150 are represented by labor unions with whom there are collective bargaining agreements. Chris-Craft considers its television labor relations to be satisfactory.

Competition

Television stations compete not only with other television and radio stations but with all other media for the viewer's time and advertising revenues. In addition to the element of management experience, technical factors and television network affiliations are important in determining competitive position. In general, the programming costs of an independent station are higher than those of a network-affiliated station and network programs generally achieve a higher rating than independent station programs. In both Minneapolis-St. Paul and Portland, Oregon there are three competing VHF television stations affiliated with national television networks, and in Los Angeles each of the three major national television networks owns and operates a VHF television station. The broadcasting industry is continuously faced with technical changes and inventions; competing entertainment and communications media, such as community antenna television systems and pay-TV; and governmental restrictions or actions of Federal regulatory bodies, including the FCC. Each of these factors could have a material adverse effect on the operations and profits of the television activities of Chris-Craft.

Federal Regulation

Chris-Craft's television broadcasting operations are subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended ("Communications Act"). The Communications Act empowers the FCC, among other things, to issue, revoke or modify broadcasting licenses, to determine the location of stations, to assign frequency bands, to regulate the equipment used by stations, to establish areas to be served and to adopt such regulations as may be necessary to carry out the provisions of the Communications Act.

Under the regulations of the FCC, broadcasting licenses are usually granted for three years and are renewable for like periods upon application and approval. In the past Chris-Craft's renewal applications have always been granted, without competing application.

The Communications Act prohibits the transfer of a license or the transfer of control of a licensee without prior approval of the FCC. No license may be held by a corporation of which more than 20% of the capital stock is owned of record or voted by aliens (25% in the case of a parent of a licensee corporation), or which is subject to alien management, ownership or control to the degree specified in the Communications Act.

The "multiple ownership" rules of the FCC provide that no party may have a direct or indirect interest in more than seven television stations (not more than five of which may be in the VHF band). For the purposes of these rules the FCC takes into account ownership by officers, directors and stockholders of a licensee, but if a corporation has more than 50 stockholders only holders of 1% or more (or, in the case of mutual funds, 3% or more) of its outstanding stock are considered. Within the meaning of this rule, Chris-Craft owns and operates three VHF television stations and, therefore, subject to FCC approval, could acquire and operate two UHF stations and two additional VHF stations.

The FCC, other Federal regulatory agencies and Congressional Committees periodically conduct hearings with respect to broadcasting industry practices and conditions. There are now pending before the FCC certain proceedings and inquiries concerning the ownership and operation of broadcast stations by companies having major non-broadcast business interests, the advertising of certain products by such stations, and the method of distribution of non-network television programs, among others. Chris-Craft cannot predict what effect such proceedings and inquiries, or what effect such regulations and policies that may result therefrom, would have upon its operations.

The foregoing information under this caption does not purport to be a complete statement of all of the provisions of the Communications Act, the regulations of the FCC thereunder, or the various proposals which have been made from time to time or are now pending before the FCC or other government agencies. Reference is made to the Communications Act, the regulations thereunder, and the public notices promulgated by the FCC for further information.

Industrial Division

The Industrial Division (the "Division") of Chris-Craft includes the three divisions and affiliate of the former Baldwin-Montrose Chemical Company, Incorporated and the NAFI division of Chris–Craft. The Division makes plastic flexible films and foams, carpet, carpet yarns and carpet underlay, cotton batting, organic chemicals and DDT. A significant portion of the sales of the Division is to the original equipment automotive industry.

Polyvinyl Alcohol Films

Certain varieties of polyvinyl alcohol films produced by the Division are used as a release agent, primarily by the aircraft and missile industry, in connection with the vacuum bag method of fabrication of fiberglass reinforced polyester and epoxy parts. Other types of polyvinyl alcohol film produced by the Division are transparent, flexible films used principally for packaging pre-measured amounts of

household laundry products, such as bleaches, dyes and other chemicals and water soluble hospital laundry bags for control of cross-infection. These films are designed to be water soluable at varying temperatures. To management's knowledge, there are one other domestic and several foreign commercial producers of polyvinyl alcohol water soluable film with whom it competes.

Flexible Foams

The Division produces a variety of polyvinyl chloride and latex foams. Most of its production of polyvinyl chloride foam is sold to the automotive and allied industries; the latex foam is sold principally to the shoe, intimate apparel and automotive industries. In its production of flexible foams, the Division competes with a number of other vinyl and latex foam manufacturers as well as manufacturers of a wide variety of other elastromeric foam and non-foam resilient materials.

Carpet and Carpet Yarns

The Division manufactures carpets primarily for original equipment automotive use. Carpet yarn produced by the Division is used in the manufacture of the Division's own carpet; in addition, a substantial portion of the Division's yarn production is sold to other carpet manufacturers. The Division is faced with competition from numerous other companies which manufacture these particular product lines.

Organic Chemicals

The Division and its predecessors have been engaged since 1935 in the manufacture of organic chemicals and chemical intermediates. At the present time, the major products made by the Division, and their primary markets, are as follows: phosphate ester plasticizers, used primarily to reduce the flammability of plastic products and as additives in gasoline and lubricants; salicylaldehyde, used as an intermediate in the manufacture of petroleum stabilizers and other products; dimethyl isophthalate, used as an intermediate in the production of polyester fibers and polyester films; malononitrile, an intermediate used in the manufacture of pharmaceuticals and dyestuffs in addition to its current major use as a main ingredient in the manufacture of the CS family of gases; a monomer used in solid rocket propellants; propanil, used as a rice herbicide; and insect repellants. In this product area the Division competes with many other companies, a number of which are substantially larger than it.

The Organic Chemicals division has submitted the winning bid to a Government prime contractor for the manufacture and sale of malononitrile. The terms include advances and subsequent payment to the Division for the actual audited costs of providing facilities, subject to a maximum of $1,110,000, for the expansion of the malononitrile capacity and for the manufacture of cyanoacetamide, a raw material used in the manufacture of malononitrile. Contruction is underway on the new facilities which are scheduled for completion in the second quarter of this year.

Miscellaneous

The Division manufactures and sells jute and latex foam carpet underlay for household and commercial use and cotton batting used primarily in automobile upholstery. In addition, the Division manufactures industrial elastomeric-dipped products primarily for the fastener and transportation industries. The Division also buys and resells certain floor covering items and also provides latex foaming for certain carpet manufacturers. The Division is faced with keen competition from other companies which manufacture and sell these product lines.

DDT

Chris-Craft owns 50% of the outstanding stock of Montrose Chemical Corporation of California ("Montrose California"), the remaining 50% of which is owned by Stauffer Chemical Company.

Montrose California, organized in 1946, is the world's largest producer of DDT (dichloro-diphenyl-trichloro-ethane). Hydrochloric acid and polychlorobenzenes are also manufactured by Montrose California as by-products of the production of the intermediates made to produce DDT.

DDT is a well-known organic insecticide employed principally in the production of agricultural insecticides and in public health work for the control of insect-borne diseases such as malaria and typhus. Because of its low price, relatively low toxicity and wide range of applicability, DDT is by far the most widely used organic insecticide.

The United States Government and the United Nations are the largest purchasers of DDT from Montrose California. The greater part of the DDT produced by Montrose California, including sales to the United States and the United Nations, is for export, most of which is used for world health programs. The Malaria Eradication Program started shortly after World War II in the United States and Europe has since been extended to Asia, Latin America and Africa. Montrose California has supplied major quantities of the DDT used in the programs since 1947. The scope of the program is subject to the availability of funds.

Certain insects have been reported to have developed resistance to DDT and new insecticides are constantly being developed. California has adopted regulations requiring permits for spraying with chlorinated hydrocarbon insecticides, including DDT, and Arizona has adopted a one year moratorium on the use of DDT, which began in January, 1969. A February 5, 1969 summary issued by the National Agricultural Chemicals Association lists pending legislation to restrict or ban chlorinated hydrocarbon insecticides and/or DDT, in Connecticut, Illinois, Maine, Minnesota, Nebraska, Washington and Wisconsin. The Food and Drug Administration has also proposed that tolerances for DDT residue on raw agricultural commodities be reduced in 1969 from the presently allowed levels. However, Chris-Craft believes that its sales of DDT for use on such commodities are of minor significance. Chris-Craft can give no assurance that governmental actions may not be taken from time to time to restrict the use of DDT, because of alleged adverse effects in the areas of public health, conservation and pollution control.

The United States Tariff Commission indicates that there are five producers of DDT in the United States. The DDT market is highly competitive and subject to severe price competition among producers.

DDT use is seasonal. Nonetheless, Montrose California operates on a year round basis and often quotes lower selling prices in the off season. Substantially all of the sales of DDT are made on a spot basis. Purchasers by the United States Government and the United Nations which comprise a large portion of the sales of Montrose California, are made on open competitive bids at prices which are lower than those generally quoted in the industry to commercial purchasers.

Since the organization of Montrose California, the Montrose division of, successively, Baldwin-Montrose and Chris-Craft, has furnished management services to Montrose California, for which the Montrose division receives a management fee each year in an amount determined by the Board of Directors of Montrose California. For each of the last five fiscal years such fee has been $200,000.

Divisions and Properties

The Mono-Sol Division manufactures plastic films and foams in a plant owned by Chris-Craft in Gary, Indiana and latex foams in a leased plant in Fremont, Ohio. The Gary plant contains 40,000 sq. ft. on approximately five acres of land. The Mono-Sol Division also has sales offices in Chicago, Illinois and Lathrup Village, Michigan.

Carpet, carpet yarns, carpet underlay, cotton batting and latex flexible foam are manufactured by the NAFI division of the Division, which operates plants in Monterey and Dos Palos, California, Waterford, New York and Trenton, New Jersey, occupying a total of approximately 428,000 square feet. Buildings containing all but 110,000 of such square feet are owned by Chris-Craft.

Organic chemicals are produced by the Montrose division of the Division, which owns a plant in Newark, New Jersey occupying approximately 40,000 square feet on approximately three acres of land.

Elastomeric-dipped products are manufactured by the Peninsular division of the Division, which leases a plant in Detroit, Michigan occupying approximately 15,000 square feet.

Montrose California leases the land upon which its plants at Torrance, California and Henderson, Nevada are situated. See Note 2 to "Notes to Financial Statements" of Montrose California.

Employees

Exclusive of Montrose California, the Division employs approximately 724 people. Montrose California employs approximately 257 employees. Hourly employees of the Division and of Montrose California are covered by collective bargaining agreements with various unions. The agreement with the union in Gary, Indiana, expires June 30, 1969. Chris-Craft believes the current relationship between management and employees in the Division and Montrose California to be satisfactory.

Marketing

The products of the Mono-Sol and NAFI divisions are sold by it directly and by sales agents and distributors. A majority of the sales of the Montrose division are made through R. W. Greeff & Co., the balance being sold directly. The relationship with R. W. Greeff & Co. is covered by a contract, renewable annually, which has been in effect for many years and, with minor exceptions, calls for commissions varying from 3% to 5%.

Most of the sales of Montrose California are made by it, the balance being made through its sales agents, Stauffer Chemical Company and R. W. Greeff & Co.

Relative Contribution of Certain Product Lines

For the twelve months ended August 31, 1967 and 1968 sales of boats, boat engines and service parts, and television revenues were the only classes of products (i) to which 10% or more of the aggregate of (a) total sales and (b) the half of net sales of Montrose California attributable to Chris-Craft's interest can be attributed, or (ii) to which 10% or more of the gross profit (representing operating revenues less cost of manufactured products sold and television expenses) can be attributed. The relative contribution of these classes of products for the five years ending December 31, 1968, are shown below:

	Boats, Boat Engines and Service Parts		Television Operations	
	% of Sales	% of Gross Profit	% of Sales	% of Gross Profit
Year Ended December 31,				
1964	56	46	11	26
1965	54	42	14	28
1966	55	42	14	27
1967	56	46	15	32
1968	51	41	16	35

Recent Developments

Chris-Craft has considered selling or otherwise disposing of the Industrial Division if that could be accomplished on a basis deemed advantageous to Chris-Craft. Various conversations have been held with others with respect thereto. However, no firm decision has been made by Chris-Craft and the conversations with others have not resulted in any contracts or firm understandings with respect thereto.

Chris-Craft purchased 200,000 shares of Common Stock of Hemisphere Hotels Corporation, formerly Carl G. Fisher Corporation ("Hemisphere"), at a purchase price of $7.00 per share. Hemisphere operates the Coral Harbour Club at Nassau in the Bahamas. The agreement provides, among other things, for a five-year Chris-Craft boat dealer franchise to Hemisphere in the Bahamas with certain rights in other

areas of the Caribbean. The Agreement also provides that a principal purpose of the transaction is to provide for the creation by Hemisphere of a hotel, all or a substantial part of the living facilities of which will be Chris-Craft houseboats, which will be specially designed by Chris-Craft for such purpose. Hemisphere will dredge and create docking and shore facilities for approximately 150 Chris-Craft houseboats, together with an installation for servicing the houseboats with dining room, stores and recreational and other facilities.

Chris-Craft has acquired all of the outstanding capital stock of Argonaut Taiwan Corporation, a company in Taipei, Taiwan (Formosa) ("Argonaut"), which presently produces a small number of boats. The purchase agreement provides, among other things, for payment of approximately 50% of the earnings of Argonaut to its former shareholders during the next five years. Chris-Craft has entered into long term contracts with key personnel of Argonaut and has agreed to advance funds to Argonaut to expand its boat building capacity. Argonaut is operated as a wholly owned and operated subsidiary of Chris-Craft producing boats of Chris-Craft's design for distribution to Chris-Craft's dealers in the United States and elsewhere.

Chris-Craft has received a letter dated October 31, 1968 from the United States Department of Justice, requesting information in order that "the Department may assess the probable competitive effects" of the merger between Chris-Craft Industries, Inc. and Baldwin-Montrose Chemical Company, Incorporated. In the opinion of the General Counsel of Chris-Craft, the outcome of this inquiry will not have any material adverse effect on Chris-Craft.

Chris-Craft holds 90,700 shares of the Common Stock of Harley-Davidson Motor Co. (now merged into American Machine & Foundry Company) and has entered into option agreements covering all such shares. Pursuant thereto, the optionee has the right to buy such shares at different periods in May and June, 1969.

The Note Purchase Agreements, dated December 20, 1965, as amended ("Note Agreements"), pursuant to which Chris-Craft's 5¾% Promissory Notes ("Notes") were issued, provide, among other things, that Chris-Craft must offer to apply the proceeds of any sale of all or a substantial part of the consolidated assets of Chris-Craft and its consolidated subsidiaries (other than sales of securities of other companies) to the prepayment of the Notes. The Note Agreements, as amended, also contain restrictions on the issue of senior and subordinated funded indebtedness by Chris-Craft. As of January 1, 1969, Chris-Craft is not able to issue any additional such indebtedness without the consent of the holders of the Notes. See Note (5) to "Notes to Consolidated Financial Statements" of Chris-Craft for further details with respect to the aforementioned Note Agreements and Notes. This summary of certain of the provisions of the Note Agreements and Notes is qualified by the complete provisions which are set forth in the Note Agreements and Notes, copies of which are included among the exhibits to this Registration Statement.

HISTORY, BUSINESS AND PROPERTY OF PIPER

Chris-Craft has requested information from Piper for use in connection with this Prospectus, but Piper has not supplied any information pursuant to such request. Therefore, the information and financial material relating to Piper in this Prospectus are based on information released publicly by Piper or filed by it with various public agencies. Such agencies do not approve or disapprove or pass upon the accuracy or adequacy of such information. Consequently, Chris-Craft cannot warrant that the information concerning Piper or its industry contained in this Prospectus is accurate or complete or that no events have occurred, unknown to Chris-Craft, which would affect the significance or accuracy of such information. The decision of Piper's stockholders in determining whether or not to accept the Exchange Offer must be made without the benefit of information which may be material in making such decision. Among the information missing regarding Piper is a current description of

its business, properties and products, including relative contributions to sales and profits and the nature of Piper's competition.

The information set forth below under the subheading "History" has been taken from Piper's Prospectus dated May 24, 1960, and all other information under this heading has been derived from Piper's 1968 Annual Report to Stockholders.

History

Piper was incorporated in 1937 under the laws of Pennsylvania and acquired the assets of Taylor Aircraft Company which had been organized in 1931 by W. T. Piper and C. G. Taylor. Its principal plant and executive offices are located at Lock Haven, Pennsylvania. From its inception, Piper has been primarily concerned with that field of aviation known as general aviation which includes all non-military flying other than commercial airlines (scheduled and unscheduled) and common carriers of air freight.

Sales and Distribution

Gross sales of $96,724,000 during the year ended September 30, 1968, represented the biggest dollar volume in Piper's history, exceeding 1967's sales of $80,439,000 by 20% and the previous record year of 1966 by 19%. The number of aircraft sold in 1968 totaled 4,474, in comparison to 4,302 in 1967 and represents the largest unit volume in Piper's history. Domestic sales were 3,513 totaling $68,175,000; international sales were 961 totaling $21,680,000. Sales of spare parts and accessories were $6,453,000.

The following is a breakdown of Piper's sales in dollar volume and units for the fiscal years 1966, 1967 and 1968:

SALES DOLLAR VOLUME ('000s)

	1968	1967	1966
Commercial planes	$ 89,855	$ 74,388	$ 76,116
Commercial—Other services, parts, etc.	6,810	6,036	5,126
Military—Prime and subcontracts	59	15	71
	$ 96,724	$ 80,439	$ 81,313
Estimated commercial sales by the industry*	$340,000	$270,000	$305,000
Piper's percentage	28.4%	29.8%	26.7%

SALES IN UNITS

	1968	1967	1966
Super Cub	138	138	141
Pawnee	363	337	442
Cherokee Six	269	517	655
Cherokee	2,115	2,455	1,996
Cherokee Arrow	844	65	—
Comanche	93	138	260
Twin Comanche	166	303	375
Aztec/Apache	277	280	415
Navajo	209	69	—
Total Piper sales	4,474	4,302	4,284
Estimated Industry sales*	14,000	13,000	14,667
Piper's percentage	32%	33%	29%

*Including only airplanes with a standard price under $200,000

Piper has stated that its 1968 gross dollar sales and net income would have been appreciably higher had production at the Lock Haven plant been able to keep pace with the increased demand for Navajos and Aztecs, which developed late in the fiscal year. Production losses were experienced by the introduction of new models and the transfer of certain parts manufacturing operations from Lock Haven to newly acquired plants at Quehanna and Renovo, Pennsylvania. Production interruptions were also suffered at both the Lock Haven and Vero Beach plants from the results of a prolonged strike at Piper's engine supplier's plant.

Net income was also adversely affected late in the year by increased provisions to reserves for doubtful receivables, primarily as a result of the substantial increases in sales to customers located outside the United States with proportionately greater collection risks than Piper has experienced in domestic business.

A large precentage of the 1968 output at Vero Beach was the Cherokee 140 model, Piper's basic training plane. With steadily increasing numbers of students and pilots, Piper expects the demand for trainers to continue. Student pilot starts in 1961 numbered 55,000; in 1967, 160,000; and the estimated starts for 1968 was 190,000.

Piper states that two significant movements have helped to increase the demand for twin engine aircraft. The first has been a decision on the part of the Post Office Department to use air taxis to speed up mail delivery. In June 1967 there were 11 air taxi companies carrying mail over 15 routes. In January 1968, taxi operators were serving 80 routes and, in the near future, the Post Office expects to have more than 200 routes served by air taxis. The Aztec has proven to be one of the most popular airplanes in this mail service because of its low initial selling price, below average operating and maintenance costs and extreme roominess. A second development has been the growing need for small commuter planes. As the airlines become larger and faster, they tend to serve fewer terminals. Of an estimated 10,000 airports in the country today, the scheduled airlines serve fewer than 600. Although the Aztec and Navajo are used widely as air taxis, Piper's engineers at Vero Beach have developed the Pocono with the commuter market specifically in mind. The Pocono (which took off for the first time in May 1968) will seat from 12 to 18 persons, and is especially designed with large cargo doors and ample cubic capacity to be equally useful for cargo as well as passengers. The Pocono is currently undergoing flight tests at the Vero Beach plant and first deliveries should be made some time during the 1970 fiscal year.

Much has been said and printed in recent months concerning this country's congested airway system and overcrowded major terminals. There are some who feel that recent resolutions proposed by the Department of Transportation will have a detrimental effect on general aviation, principally corporate aircraft traveling to metropolitan areas, air taxis and commuter planes. Piper, in its Annual Report to Stockholders, presented arguments leading to its conclusion that "The more knowledgeable airline officials recognize the importance of a sound, healthy and active General Aviation industry and the airlines themselves can do much, such as establishing schedules on a more sound basis."

Research

Piper has reported that the development forces at its Lock Haven and Vero Beach plants were substantially increased in the past year. During fiscal 1968, revised plans of the Aztec and Twin Comanche were developed in Lock Haven and the pressurized Navajo is nearly through its development cycle and should begin to contribute substantially to sales late in 1969

During 1968, the Development Center at Vero Beach has engineered new models of the Cherokee 140, the Cherokee Six and the Cherokee 235. The Pocono, Piper's commuter airplane, also has been

a major project as has been the development of additional new models to be introduced further in the future. The Pocono will serve as an intermediate sized cargo plane as well as a small airliner and corporate plane, and Piper has stated that it shows promise of giving Piper a good position in a new, rapidly developing segment of the market, which will add new volume and not merely replace one model group with another. Penetration of the market is expected to strengthen the overall organization and open the way for further advances into the smaller general aviation market.

Recent Developments

In recent months Piper sponsored its first national network television advertising campaign in its history. Commercials emphasized a $5 introductory flight lesson in the Piper Cherokee, available at all local dealers. The program appeared on all 3 TV networks during a four week period. Commercials were seen on the "CBS Evening News With Walter Cronkite", "NBC World Series of Golf" and "ABC's Wide World of Sports".

In 1968 Piper's first entry into overseas assembly was inaugurated by a contract with Corporacion de la Industria Aeronautica Colombina S. A. to assemble Cherokees in Colombia.

Piper has announced that all Nippon Airways, in Tokyo, took delivery of two nine place Navajo twins which it will use for transitional training before their crews are assigned to Boeing 727's and Viscounts.

Facilities and Personnel

Piper states that two factory facilities were obtained in 1968, giving additional floor space and a larger labor market for production personnel needed for future increased output. The larger is the former Curtiss-Wright plant at Quehanna, Pennsylvania, with floor space of approximately 258,000 square feet, where Piper plans to produce many metal parts, fittings and small sub-assemblies for shipment to Lock Haven for final assembly. The second plant is at Renovo, Pennsylvania, and in this 38,000 square foot facility, Piper has stated that plastic components will be manufactured. Transferral of the metal parts fabrication operation from Lock Haven to Quehanna was approximately 95% complete by the end of 1968 and the relocation of the plastic parts fabrication to Renovo was fully completed.

Floor space available for the production, engineering and administration activities of Piper totals approximately 1,609,000 square feet. Of this total, Lock Haven has 754,000 square feet, Quehanna 258,000 square feet, Renovo 38,000 square feet, Vero Beach 548,000 square feet and Geneva, Switzerland 11,000 square feet.

Piper has chosen Lakeland, Florida as the site for a new $2,000,000 manufacturing plant to build the Pocono. The 100,000 square foot building will be constructed on 100 acres adjoining the Lakeland Municipal Airport.

Overall employment in 1968 aggregated 4,365 employees. This includes 2,250 at Lock Haven, 263 at Quehanna, 76 at Renovo, 1,741 at Vero Beach and 35 at Piper Aircraft International, Geneva, Switzerland.

MANAGEMENT

Directors and Executive Officers

The directors and executive officers of Chris-Craft are:

Name	Office
Herbert J. Siegel	Chairman of the Board, President and director
Alfred L. Hollender	Executive Vice President and director
James J. Rochlis	Vice President, President of Industrial Division and director
Harry H. Coll	Vice President, President of Boat Division and director
John Hopkins	Vice President and President of Television Broadcasting Division
C. Leonard Gordon	Vice President, General Counsel and director
Lawrence R. Barnett	Vice President and director
Victor Oristano	Vice President
Winslow Maxwell	Vice President, Controller and Assistant Secretary
Robert B. Hunter	Secretary-Treasurer and director
Bernard Art	Vice President and Assistant Treasurer
Armand G. Erpf	Director
Louis C. Goad	Director
David F. Linowes	Director
Alvin R. Rozelle	Director
H. V. Sherrill	Director

Messrs. Siegel, Rochlis, Coll, Hopkins, Hunter and Art have for the past five years been in the employ of Chris-Craft or Baldwin-Montrose.

Mr. Hollender has been in the employ of Chris-Craft since October 1, 1968, and during the five years prior to that time was President of Grey International, a division of Grey Advertising, Inc.

Mr. Gordon has been in the employ of and a director of Chris-Craft or Baldwin-Montrose since June 1964, and during the year prior to that time was an active member of the law firm of Marshall, Bratter, Greene, Allison & Tucker.

Mr. Barnett has been a director of Chris-Craft or Baldwin-Montrose since 1963, and has been in the employ of Chris-Craft since August 15, 1968. Between January 22, 1966 and August 15, 1968, Mr. Barnett was a private investor. During the three years prior to January 22, 1966, Mr. Barnett was Chairman of the Board and Chief Executive Officer of General Artists Corporation, which was a subsidiary of Baldwin-Montrose until December 1965.

Mr. Oristano has been in the employ of Chris-Craft since August 31, 1968, and during the five years prior to that time was a principal in Oristano-Pearsall Associates, a public relations firm which was merged into Farley-Manning, Inc., a public relations firm, in 1967. He then served as a Senior Vice President of Farley-Manning, Inc., and head of its Oristano-Pearsall Associates division.

Mr. Maxwell has been in the employ of Chris-Craft or Baldwin-Montrose since September 1967, and prior to that time was Controller of Bunge Corporation from November 1966 to September 1967, and Treasurer and Controller of the New York Herald Tribune from 1961 to November 1966.

Remuneration

The following table sets forth (a) the aggregate remuneration paid by Chris-Craft and Baldwin-Montrose to each director of Chris-Craft, and each of the three highest paid officers of Chris-Craft, whose remuneration from the two corporations for the twelve months ended August 31, 1968, exceeded $30,000, together with the same information for all directors and officers as a group, (b) the amount contributed for each such person for such year to various Retirement Plans continued by Chris-Craft and the estimated annual benefits on retirement of such persons, together with the same information for all directors and officers as a group and (c) the amount contributed to Chris-Craft's Profit-Sharing Plan

for each such person for such year and the aggregate interest of such persons in such Plan at August 31, 1968, together with the same information for all directors and officers as a group:

	Aggregate Direct Remuneration	Amount Contributed to Profit Sharing or Retirement Plan(s) for the Twelve Months(1)	Interest in the Profit-Sharing Plan (and Amount Vested) at August 31, 1968	Estimated Annual Benefits on Retirement
Herbert J. Siegel, Chairman of the Board and President	$101,667	$ 11,000	$ 61,540($36,924)	$ —
John G. Bannister, President (retired as of May 31, 1968)	54,233	4,200	—	9,598
James J. Rochlis, Vice President (2)	76,200	8,000	54,843(32,906)	—
Harry H. Coll, Vice President ...	78,785	14,900	—	25,500
John Hopkins, Vice President ...	81,879	1,500	—	11,046
C. Leonard Gordon, Vice President and General Counsel	56,667	6,133	28,575(10,001)	—
Robert B. Hunter, Secretary-Treasurer	40,700	4,130	—	18,915
All directors and officers as a group, including those named above (23 persons)	605,286(3)	60,469	149,296(79,831)	77,175

(1) The Retirement Plan of the Mono-Sol Division of Baldwin-Montrose, the Chris-Craft Salaried Employees' Retirement Plan (covering salaried employees other than those in the Boat Division of Chris-Craft) and the Chris-Craft Corporation Retirement Plan for Salaried Employees (Boat Division) which were in effect before the merger of Baldwin-Montrose with and into Chris-Craft have been continued by the surviving corporation, Chris-Craft, for the employees participating in them prior to the merger who were such on or before December 31, 1967. With the exception of one officer presently retired, estimated annual benefits under the Chris-Craft Salaried Employees' Retirement Plan are based upon the assumption that the officers participating in it continue in employment until age 65 at salary levels currently in effect. Such plan is non-contributory and provides that participating employees retiring at age 65 with 30 years of credited service are entitled to receive an amount equal to 50% of average salary for the ten years prior to retirement less 50% of any primary social security benefits and benefits available under individual contracts in effect prior to the 1956 amendment of such plan. Under a 1965 amendment, active participants may elect to receive up to 50% of the net plan benefit in the form of a variable annuity. The variable annuity benefits under the Plan are automatic for new participants after October 1, 1965. Benefits are reduced proportionately for credited service of less than 30 years. The Chris-Craft Corporation Retirement Plan for Salaried Employees (Boat Division) provides for normal retirement at age 65 and maximum annual retirement benefits of 50% of the average annual salary paid for the five highest consecutive years falling within the last ten years of service. Chris-Craft has continued the Profit Sharing Plan of Baldwin-Montrose for all former Baldwin-Montrose employees and has adopted it for all new employees (defined as commencing their employment on or after January 1, 1968). Contributions of the employer to the Plan may not exceed the lesser of 10% of pre-tax earnings or 12% of salaries paid to participants. See "Employee Stock Option, Stock Purchase and Profit Sharing Plans" for a description of the vesting provisions.

(2) Pursuant to an employment agreement with Baldwin-Montrose assumed by Chris-Craft, Mr. Rochlis is to receive a salary, in addition to other benefits, of $75,000 per year for a term ending June 30, 1971.

(3) Does not include (i) $53,800 paid by Baldwin-Montrose in November 1967 to Loeb, Rhoades & Co., of which firm Armand G. Erpf, a director of Chris-Craft, is a general partner, as an underwriting discount in connection with the public offering of Baldwin-Montrose's 6¼% Convertible Subordinated Debentures due October 15, 1987, (ii) $25,000 paid in June 1968, to Loeb, Rhoades & Co. for services rendered to Baldwin-Montrose in connection with its merger with and into Chris-Craft, (iii) an aggregate of $46,930 paid by Chris-Craft in September 1968 to Loeb, Rhoades & Co. and Shields & Company Incorporated, an affiliate of Shields & Company, of which firm H. V. Sherrill, a director of Chris-Craft, is a general partner, in connection with standby agreements relating to the optional redemption in September 1968 of Chris-Craft's outstanding convertible debentures due 1980, (iv) an aggregate of $87,983 paid by Chris-Craft in December, 1968 to Loeb, Rhoades & Co. and Shields & Company Incorporated, as an underwriting discount in connection with the rights offering of Chris-Craft's 6% Convertible Subordinated Debentures Due 1989. Additionally, the underwriters realized a profit of $23,774 representing the profit from the sale of unsubscribed debentures, 50% of which profit was paid to Chris-Craft and (v) aggregate brokerage commissions of $58,500 paid by Baldwin-Montrose to Shields & Company and $2,394 and $28,716, respectively, paid by Chris-Craft to Loeb, Rhoades & Co. and Shields & Company.

(4) Chris-Craft has adopted the Stock Purchase Plan of Baldwin-Montrose, pursuant to which employees may elect to apply a percentage of their salary to the purchase of shares of Chris-Craft Common Stock and Chris-Craft makes a contribution of not less than 25% of the employees' contributions. As of August 31, 1968, the aggregate contributions of Baldwin-Montrose and Chris-Craft for certain officers and directors were as follows: Mr. Siegel, $9,625; Mr. Rochlis, $10,043; Mr. Coll, $315; Mr. Hopkins, $180; Mr. Gordon, $5,007; Mr. Hunter, $178; and all directors and officers as a group, including those named above, $26,641. See "Employee Stock Option, Stock Purchase and Profit Sharing Plans" for further details as to the "Employees' Stock Purchase Plan of Chris-Craft Industries, Inc."

As of September 25, 1968, Chris-Craft has entered into an employment agreement with Alfred L. Hollender, pursuant to which he will receive a salary of $80,000 per year for a term ending September 30, 1971, which term is renewable by Chris-Craft for five consecutive one-year terms. Upon the expiration of the term of the agreement, Mr. Hollender will render services to Chris-Craft as a consultant for five years at a salary of $40,000 per year.

The Company's subsidiary KCOP Television, Inc., has an employment agreement with John Hopkins, pursuant to which he receives a salary of $30,000 per year and 2% of the profits, as defined, earned by KCOP during the term of the agreement. This agreement expires on December 31, 1971. If Mr. Hopkins dies, becomes permanently disabled or is otherwise unable to perform his duties and KCOP earns a net profit during the contract year in which such event occurs, Mr. Hopkins shall nonetheless be paid such 2% of net profits. In addition, Mr. Hopkins shall receive management fees of $6,000 per year each from Chris-Craft's other two television subsidiaries, Oregon Television, Inc., and WTCN Television, Inc., which management fees shall terminate if either of such subsidiaries ceases to operate as a subsidiary of Chris-Craft during the term of the agreement.

As of November 1, 1968, Chris-Craft has entered into an employment agreement with Victor Oristano, pursuant to which he will receive a salary of $54,000 a year, in addition to other benefits, for a term ending October 31, 1971.

Chris-Craft has an agreement with Mr. Cornelius Shields, a general partner of Shields & Company, pursuant to which Mr. Shields advises Chris-Craft on the design, construction and marketing of boats manufactured by Chris-Craft and grants Chris-Craft the right to use his name on sailboats manufactured by Chris-Craft and in connection with the promotion of such boats. Under such agreement, terminable on one month's notice, Mr. Shields receives $15,000 a year plus an additional $15,000 a year, the payment of which is deferred.

On December 31, 1968, Chris-Craft sold to the following persons the amounts of its 6% Convertible Subordinated Debentures Due 1989 indicated: Herbert J. Siegel, Chairman of the Board, President and Director of Chris-Craft, $1,500,000; Alfred L. Hollender, Executive Vice President and Director of Chris-Craft, $1,000,000; Lawrence R. Barnett, Vice President and Director of Chris-Craft, $600,000; James J. Rochlis, Vice President, President of Industrial Division and Director of Chris-Craft, $500,000; C. Leonard Gordon, Vice President, General Counsel and Director of Chris-Craft, $500,000; Victor Oristano, Vice President of Chris-Craft, $200,000; Harry H. Coll, Vice President, President of Boat Division and Director of Chris-Craft, $100,000 and Samuel Rotrosen, General Manager of the Montrose Chemical Division, $100,000.

EMPLOYEE STOCK OPTION, STOCK PURCHASE AND PROFIT SHARING PLANS

Employees' Stock Option Plans

The Employees' Stock Option Plan of the Company ("Plan") is the redesignated and amended "Option Plan for Key Employees of Chris-Craft Industries, Inc. and its Subsidiaries—1964" of Chris-Craft. The Plan is a "qualified stock option plan" within the meaning of Section 422 of the Internal Revenue Code of 1954, as amended, and 250,000 shares of Chris-Craft Common Stock have been reserved for options granted pursuant to it. A committee of the Board of Directors of Chris-Craft (composed of members of the Board who are not eligible to receive stock options) is empowered to grant options to key employees, including officers, of Chris-Craft and its subsidiaries for the purchase of Chris-Craft Common Stock. The maximum number of shares which may be the subject of all option grants outstanding under the Plan at any one time to any one person is 20,000 shares. By reason of his ownership of more than 5% of the voting securities of Chris-Craft, Herbert J. Siegel is ineligible under the Plan to receive options. Each employee receiving an option agrees to remain in the employ of Chris-Craft or a subsidiary for one year before any part of the option may be exercised and must remain in the employ of Chris-Craft or a subsidiary for three years after the date of grant in order to exercise the option in full. Under the terms of the Plan, the option price cannot be less than 100% of the fair market value

of Chris-Craft Common Stock at the time of granting the option. On January 14, 1969, the Plan was amended to increase the number of shares reserved for options from 100,000 to 250,000 shares. The amendment also provided for an increase in the maximum number of options which may be granted at any one time to any one person from 10,000 to 20,000 shares and, deleted the lifetime maximum of 20,000 shares. The amendment is subject to stockholders approval within twelve months following its adoption.

On September 17, 1968, options to purchase an aggregate of 68,713 shares of Chris-Craft Common Stock were granted under the Plan to 21 employees, at an option price of $35.94 per share, amongst which options to purchase 10,000 shares each were granted to James J. Rochlis and Harry H. Coll, an option to purchase 4,213 shares was granted to C. Leonard Gordon and an option to purchase 3,000 shares was granted to Robert B. Hunter, with options to purchase an aggregate of 36,213 shares granted to all directors and officers as a group. Such options expire on September 16, 1973. On October 21, 1968, an option to purchase 10,000 shares of Chris-Craft Common Stock was granted under the Plan to Alfred L. Hollender, at an option price of $39.00 per share. Such option expires on October 20, 1973. On April 1, 1968, an option to acquire an additional 5,787 shares of Chris-Craft Common Stock at $29.125 per share was granted to Mr. Gordon under the "Option Plan for Key Employees of Chris-Craft and its Subsidiaries—1964". Such option expires on April 1, 1973, and the option price was 100% of the fair market value at the time of grant of the Chris-Craft Common Stock subject to such option. The reported closing price of the Chris-Craft Common Stock on the New York Stock Exchange on February 26 was $50¼.

In addition, pursuant to the terms of the Plan and Agreement of Merger between Chris-Craft and Baldwin-Montrose, outstanding options to acquire the Common Stock of Baldwin-Montrose granted under the Stock Option Plan of Baldwin-Montrose (a "qualified stock option plan" within the meaning of Sections 421 et seq. of the Internal Revenue Code of 1954, as amended) were converted into options to purchase a number of shares of $1.40 Convertible Preferred Stock of Chris-Craft equal to one-half times the number of shares of Baldwin-Montrose Common Stock purchasable thereunder immediately prior to the merger. As a result options to acquire a total of 13,925 shares of $1.40 Convertible Preferred Stock of Chris-Craft were outstanding on January 31, 1969. Such options were granted at adjusted prices ranging from $21.25 to $36.00 per share, or an average price of $29.05 per share. Such options expire on various dates from December 20, 1970 to November 27, 1972, and the option prices were 100% of the fair market value at the time of grant of the Baldwin-Montrose Common Stock originally subject to such options. On January 31, 1969 Mr. Rochlis held an option to purchase 5,200 shares of $1.40 Convertible Preferred Stock at an adjusted price of $30.00 per share, which option expires on November 27, 1972; and all directors and officers as a group held options to purchase an aggregate of 7,150 shares at $30.00 per share, which options expire on November 27, 1972. The reported closing price of the $1.40 Convertible Preferred Stock on the New York Stock Exchange on February 26 was $47⅝ per share.

Employees' Stock Purchase Plan

Chris-Craft has adopted the Stock Purchase Plan of Baldwin-Montrose and redesignated it the Employees' Stock Purchase Plan. Employees of Chris-Craft or its subsidiaries electing to become members of the Plan are required to contribute monthly 2%, 4% or 6% of their salary toward the purchase of Chris-Craft Common Stock or $1.40 Convertible Preferred Stock and Chris-Craft is required to contribute monthly 25% of the members' aggregate contributions and may contribute an additional discretionary amount, so long as Chris-Craft's aggregate contribution is not greater than the lesser of (a) 100% of the members' aggregate contributions for the year or (b) Chris-Craft's consolidated net earnings for the year. Chris-Craft has been and is presently paying 25% of the members' aggregate contribution as such additional discretionary amount. The Plan provides for administration by a committee of at least three members appointed by the Board of Directors of Chris-Craft, with the funds and securities being held in trust by the Philadelphia National Bank as Trustee. Chris-Craft's contributions are in cash and/or Chris-Craft Common Stock and cash contributions of both members and Chris-Craft are invested in Chris-Craft Common Stock or $1.40 Convertible Preferred Stock, which may be purchased in the market, or, to a maximum of 10,000 shares of Chris-Craft Common Stock reserved therefor, from Chris-Craft. Shares for purposes of the Stock Purchase Plan have heretofore been purchased in the mar-

ket, and it is expected that they will continue to be so purchased. Shares credited to the account of a member may be distributed to the member upon retirement, death or disability and provision is also made for distribution in the event of termination of the employment of the member or withdrawal from the Plan. Forfeiture of varying portions of the stock attributable to Chris-Craft's contributions results from termination of employment or withdrawal from the Plan within five years after the employee becomes a member.

Profit Sharing Plan

Chris-Craft has continued the Profit Sharing Plan of Baldwin-Montrose for all former employees of Baldwin-Montrose and has adopted it for all new employees of Chris-Craft (defined as commencing their employment on or after January 1, 1968). Participants under the Plan include, with certain exceptions, all full-time salaried employees (as defined in the Plan) of Chris-Craft under 65 years of age after they have been employed at least one full year (as defined in the Plan) with Chris-Craft. Chris-Craft determines before the end of each year an amount not in excess of the lesser of 10% of its income (before deducting federal income taxes and the contributions to the Plan as determined for such year) or 12% of the salaries, as defined, paid to participants, to be contributed to the Plan for such year. The employees do not contribute to the Plan, and their interests become vested after calendar years of participation as follows: 5% after one year; 15% after two years; 35% after three years; 60% after four years and 100% after five years. The Trustees of the Plan are Messrs. Siegel, Rochlis and Gordon.

PRINCIPAL HOLDERS OF VOTING SECURITIES

The following table sets forth the holders of more than 10% of the outstanding shares of any class of voting securities of Chris-Craft as of January 6, 1969, and sets forth the ownership of outstanding voting securities by all directors and officers as a group as of that date:

Name and Address	Class of Stock (1)	Type of Ownership	Number of Shares	Percentage of Class
Herbert J. Siegel ..... 600 Madison Avenue New York, N. Y.	$1.40 Convertible Preferred Stock	Record and Beneficial	145,000(3)	19.4%
		Beneficial Only	1,312(2)	0.2%
	Common Stock	Beneficial Only	117(2)	—
Merrill Lynch, Pierce, Fenner & Smith, Inc. ..... 70 Pine Street New York, N. Y. (as of Jan. 15, 1969)	Common Stock	Record Only	263,306	17.9%
	$1.40 Convertible Preferred Stock	Record Only	25,004	3.4%
	Prior Preferred Stock	Record Only	17,253	7.5%
All directors and officers as a group (3)	$1.40 Convertible Preferred Stock	Beneficial	229,569(4)(5)	30.8%
	Common Stock	Beneficial	13,309(6)	0.9%

(1) Each share of Common Stock and $1.40 Convertible Preferred Stock is entitled to one vote and each share of Prior Preferred Stock is entitled to ⅛ of a vote.

(2) Held in the Employees' Stock Purchase Plan as of December 31, 1968, of which all shares are vested.

(3) Does not include 2,781 shares of $1.40 Convertible Preferred Stock held by Mrs. Herbert J. Siegel, 2,240 shares of $1.40 Convertible Preferred Stock and 4 shares of Common Stock held by Mr. Siegel as custodian for minor children, 2,134 shares of $1.40 Convertible Preferred Stock held by Jay-ess Corporation, an associate of Mr. Siegel, and 1,500 shares of Prior Preferred Stock held by the Herbert J. and Ann L. Siegel Foundation. The aggregate of all classes of voting securities of Chris-Craft held by Mr. Siegel constituted 6.5% of the voting power of the issued and outstanding voting securities of Chris-Craft. These shares, together with (a) the shares of Common Stock held by Mr. Siegel as custodian for minor children, (b) the shares of $1.40 Convertible Preferred Stock held by Mrs. Siegel, Mr. Siegel as custodian for his children and Jay-ess Corporation and (c) the shares of Prior Preferred Stock held by the Herbert J. and Ann L. Siegel Foundation, the beneficial ownership of all of which Mr. Siegel disclaims, constituted 6.8% of the voting power of the issued and outstanding voting securities of Chris-Craft.

(4) Includes 3,388 shares held in the Employees' Stock Purchase Plan as of December 31, 1968, of which 3,332 shares are vested.

(5) Does not include 219 shares of $1.40 Convertible Preferred Stock held by Mrs. C. Leonard Gordon, beneficial ownership of which Mr. Gordon disclaims.

(6) Includes 576 shares held in the Employees' Stock Purchase Plan as of December 31, 1968, of which 495 shares are vested.

DESCRIPTION OF $ PREFERRED STOCK OFFERED HEREBY

The statements and descriptions set forth below as to certain terms of the Preferred Stock, $ Convertible Series of 1969, par value $1 per share ("the $ Preferred Stock"), and the Common Stock, of the par value of $1.00 each ("Common Stock"), into which the $ Preferred Stock is convertible, and of other classes of securities of Chris-Craft, the terms of which limit or qualify the terms of the $ Preferred Stock or the Common Stock, are briefly summarized from the provisions of the Restated Certificate of Incorporation of Chris-Craft and the resolution of the Board of Directors of Chris-Craft creating and authorizing the $ Preferred Stock which are filed as exhibits to the Registration Statement of which this Prospectus is a part and which are incorporated herein by reference. Such statements and descriptions are qualified in their entirety by such reference.

As of February , 1969, the authorized capital stock of Chris-Craft consisted of shares of Prior Preferred Stock (convertible until June 1, 1971), without par value ("Prior Preferred Stock"), 2,000,000 shares of Convertible Preferred Stock, par value $1.00 per share ("$1.40 Convertible Preferred Stock"), 2,000,000 shares of Preferred Stock, par value $1.00 per share ("Preferred Stock") and 5,742,519 shares of Common Stock.

On February 7, 1969, the Board of Directors of Chris-Craft approved a two-for-one split of the Common Stock and an amendment to the Chris-Craft Restated Certificate of Incorporation increasing the number of shares of Common Stock to 15,000,000 and reducing its par value to $.50 per share and making certain changes in the terms of the Prior Preferred Stock and the $1.40 Convertible Preferred Stock, all of which are subject to the approval of the Chris-Craft shareholders at a meeting to be held on , 1969.

The Preferred Stock, which is neither outstanding nor issuable pursuant to this Prospectus, may be issued, without further shareholder approval, from time to time as a class without series or in one or more series, with such voting power, designations, preferences, rights, qualifications, limitations or restrictions, as shall be determined by the Board before the issuance thereof. The $ Preferred Stock is a series of the Preferred Stock, consisting of shares, the terms and provisions of which have been fixed by the Board of Directors as set forth below. Subject to the voting rights of the $ Preferred Stock set forth below and the voting rights of the $1.40 Convertible Preferred Stock, the rights of any series of Preferred Stock may be superior, equal or subordinate to the rights of the $ Preferred Stock and the $1.40 Convertible Preferred Stock.

Dividend Rights

The holders of $ Preferred Stock in preference to the holders of Common Stock, but after provision shall have been made for the holders of Prior Preferred Stock, shall be entitled to receive cumulative cash dividends of $ per share per annum, as and when declared by the Board of Directors, payable quarterly on the last days of March, June, September and December. The holders of Prior Preferred Stock are entitled to receive, as and when declared, cumulative cash dividends at an annual rate of $1 per share, payable quarterly on such days. Holders of $ Preferred Stock shall rank equally as to the payment of dividends with holders of the $1.40 Convertible Preferred Stock, who are entitled to receive semi-annually on the last days of March and September, as and when declared (i) cumulative stock dividends at the annual rate of $1.20 per share, payable in shares of $1.40 Convertible Preferred Stock at their then fair value (determined on the basis of the average of the closing prices on the 20 trading days prior to the date of declaration of the relevant dividend) and (ii) cumulative cash dividends at an annual rate of $.20 per share. Cash will be paid in lieu of fractions on such stock dividend. After March 31, 1973, stock dividends will not be payable on shares of $1.40 Convertible Preferred Stock and the cumulative cash dividends applicable thereto will be increased to $1.40 per share per annum. See "Dividends and Other Restrictions" below for certain other restrictions on the payment of dividends.

Liquidation Rights

The $ Preferred Stock is preferred as to assets over the Common Stock in the event of any liquidation, dissolution or winding up of Chris-Craft, whether voluntary or involuntary, but ranks junior to the Prior Preferred Stock and equally with the $1.40 Convertible Preferred Stock so that (a) before any distribution or payment is made to holders of $ Preferred Stock, $1.40 Convertible Preferred Stock or Common Stock upon any voluntary or involuntary liquidation, dissolution or winding up of Chris-Craft, holders of Prior Preferred Stock shall be entitled to receive $21.50 per share, plus cash equal to cumulative dividends thereon to the end of the quarterly dividend period in which such distribution or payment is made; (b) before any such distribution or payment is made to holders of Common Stock, (i) holders of $ Preferred Stock shall be entitled to receive $65 per share plus cash equal to cumulative dividends thereon to the end of the quarterly dividend period next preceding the date of such distribution or payment and (ii) holders of $1.40 Convertible Preferred Stock shall be entitled to receive $23 per share, plus cash equal to cumulative dividends thereon to the end of the dividend period next preceding the date of such distribution or payment; and (c) after holders of Prior Preferred Stock, $ Preferred Stock and $1.40 Convertible Preferred Stock shall have been paid the full amounts to which they respectively shall be entitled upon liquidation, the remaining net assets of Chris-Craft shall be distributed *pro rata* to the holders of the Common Stock. If upon any such liquidation, dissolution or winding up, the assets of Chris-Craft are insufficient to permit full payment, the net assets remaining after provision shall have been made for holders of Prior Preferred Stock shall be distributed ratably among the holders of the $ Preferred Stock and $1.40 Convertible Preferred Stock in proportion to the full preferential amounts to which they are respectively entitled.

Redemption Provisions

Chris-Craft may, at the option of the Board of Directors, redeem the whole or any part of the outstanding shares of $ Preferred Stock, at any time or from time to time after April 1, 1970, at $65 per share plus an amount in cash equal to the unpaid and accumulated dividends thereon to the next preceding dividend payment date. If fewer than all the outstanding shares are to be redeemed, the shares to be redeemed shall be selected by lot or apportioned among holders of the outstanding shares of $ Preferred Stock as nearly as possible in proportion to their holdings or in any other manner deemed fair by the Board of Directors. Prior Preferred Stock may be redeemed from time to time by action of the Board of Directors at $25 per share plus cumulative dividends to the end of the dividend period in which the date of redemption falls. At any time after the earliest of the redemption or elimination (through conversion, repurchase or otherwise) of all outstanding shares of Prior Preferred Stock or June 1, 1971, so long as the net worth of Chris-Craft shall immediately thereafter be not less than the liquidation preference of the then outstanding shares of Prior Preferred Stock, $1.40 Convertible Preferred Stock may be redeemed from time to time by action of the Board of Directors at $40 per share plus cumulative dividends (including the fair value of stock dividends) to the dividend payment date next preceding the date of redemption.

The Common Stock is not redeemable although it may be repurchased from time to time by action of the Board of Directors. The Prior Preferred Stock, $ Preferred Stock, $1.40 Convertible Preferred Stock and Common Stock are not subject to any sinking fund provisions. The rights of redemption and repurchase referred to in this section are subject to the restrictions referred to below under "Dividend and Other Restrictions".

Conversion Privileges

The $ Preferred Stock is convertible, at the option of the holder, at any time unless previously called for redemption, into fully paid and nonassessable shares of Chris-Craft Common Stock.

The Prior Preferred Stock is convertible, at the option of the holder, at any time on or before June 1, 1971, unless previously called for redemption, into shares of $1.40 Convertible Preferred Stock of

Chris-Craft at the conversion rate of .50723 share of $1.40 Convertible Preferred Stock for each share of Prior Preferred Stock.

The $1.40 Convertible Preferred Stock is convertible, at the option of the holder, at any time unless previously called for redemption, into one share of Chris-Craft Common Stock.

Upon any conversion of shares of Prior Preferred Stock, $1.40 Convertible Preferred Stock or $ Preferred Stock, arrearages in any accumulated dividends (stock or cash) on the stock so converted will lapse. Cash will be paid in lieu of any fractional share issuable upon any such conversion. The respective conversion rates are subject to adjustment in the event of the issuance, pursuant to a stock dividend or split-up, of additional shares of the class into which the conversion is to be made, or the reduction in the number of shares of such class resulting from a reclassification or recapitalization; provided, however, that in the case of $ Preferred Stock no such adjustment shall be made with respect to any stock dividend paid in Common Stock to holders of Common Stock in any calendar year which aggregates $1.00 or less and which the Board of Directors states are in lieu of cash dividends; and provided, further, that such adjustment will not be made in the conversion rate of Prior Preferred Stock upon any annual increase in shares of $1.40 Convertible Preferred Stock not exceeding 4% of the number of such shares outstanding.

When the proposed 2-for-1 stock split referred to above becomes effective, the Prior Preferred Stock will be convertible into 1.01446 shares of $1.40 Convertible Preferred Stock, the $1.40 Convertible Preferred Stock will be convertible into two shares of Chris-Craft Common Stock and the $ Preferred Stock will be convertible into shares of Chris-Craft Common Stock, in each case subject to future adjustment as aforesaid and the amount referred to in the proviso to the adjustment in the conversion rates set forth above shall be changed to $.50.

Voting Rights

Holders of Prior Preferred Stock, $1.40 Convertible Preferred Stock, $ Preferred Stock, and Common Stock have general voting rights. Subject to the additional voting rights described below, holders of $ Preferred Stock are entitled to votes per share held by them; holders of Prior Preferred Stock are entitled to one-eighth of one vote per share; and holders of $1.40 Convertible Preferred Stock and Common Stock are each entitled to one vote per share on all matters to come before the shareholders. Except as otherwise provided herein and as required by law, holders of Prior Preferred Stock, $1.40 Convertible Preferred Stock, $ Preferred Stock and Common Stock will vote together as a single class on all such matters.

If at any time dividends upon the Prior Preferred Stock are in arrears to the extent of $1.50 per share, holders of Prior Preferred Stock will have the right, voting separately as a class, at a special meeting of holders of Prior Preferred Stock, to elect directors to fill three additional directorships thereby created, and to continue to elect three directors at each annual meeting of shareholders thereafter so long as any such dividends remain in arrears. This right, whenever exercisable, shall be in lieu of all other voting rights of holders of Prior Preferred Stock with respect to the election of directors.

If at any time three or more semi-annual dividends upon the $1.40 Convertible Preferred Stock, in whole or in part (whether or not consecutive), have not been paid or provided for, holders of $1.40 Convertible Preferred Stock will have the right, voting separately as a class, at a special meeting of the holders of $1.40 Convertible Preferred Stock, to elect directors to fill two additional directorships thereby created, and to continue to elect two directors at each annual meeting of the shareholders thereafter so long as such three or more semi-annual dividends remain in arrears. This right is in addition to all other voting rights of holders of $1.40 Convertible Preferred Stock.

If at any time dividends upon the Preferred Stock are in arrears to the extent of six or more quarterly dividends in whole or in part (whether or not consecutive), holders of Preferred Stock will have the right, voting separately as a class, to elect two directors at a special meeting of the holders of Preferred Stock and to continue to elect two directors at each annual meeting of shareholders thereafter until all cumulative dividends are paid in full. This right is in addition to all other voting rights of the holders of the Preferred Stock.

In the event that the conversion ratios of the Prior Preferred Stock, the $1.40 Convertible Preferred Stock or the $ Preferred Stock are adjusted as described above, the holders of such stock will thereafter be entitled to that number of votes per share as shall equal the number of shares of Common Stock into which each share of such stock is convertible. When the proposed 2-for-1 stock split referred to above becomes effective, the holders of the $1.40 Convertible Preferred Stock will be entitled to two votes per share, the Prior Preferred Stock will be entitled to 1.01446 votes per share and the $ Preferred Stock will be entitled to votes per share, in each case subject to future adjustment as aforesaid.

Without the consent of the holders of at least two-thirds of the outstanding shares of Preferred Stock entitled to vote thereon, voting separately as a class, Chris-Craft may not (i) create, or increase the authorized number of shares of, any class of stock ranking, either as to dividends or upon liquidation, prior to the Preferred Stock or (ii) alter or change any of the provisions of the Preferred Stock so as adversely to affect the preferences, special rights or powers given to the Preferred Stock.

Without the consent of the holders of at least two-thirds of the outstanding shares of $ Preferred Stock, voting separately as a series, Chris-Craft may not (i) alter or change any of the provisions of the $ Preferred Stock or any of the provisions of any other series of the Preferred Stock so as adversely to affect the preferences, special rights or powers given to the $ Preferred Stock; provided, however, that where any such alteration or change similiarly affects all series of Preferred Stock then outstanding, the voting rights shall be as set forth in the preceding paragraph or (ii) create, or increase the authorized number of shares of, any series of Preferred Stock ranking, either as to dividends or upon liquidation, prior to the $ Preferred Stock.

Without the consent of the holders of at least a majority of the outstanding shares of Preferred Stock entitled to vote thereon, voting separately as a class, Chris-Craft may not (i) increase the authorized number of shares of Preferred Stock or (ii) create any new class of stock ranking, either as to dividends or upon liquidation, on a parity with the Preferred Stock.

Preemptive Rights

Holders of Prior Preferred Stock, $1.40 Convertible Preferred Stock, $ Preferred Stock and Common Stock are not entitled as a matter of right to subscribe for or purchase any stock or other securities of Chris-Craft, except that holders of $1.40 Convertible Preferred Stock shall be entitled to receive *pro rata* (based upon the number of shares of Common Stock into which their shares of $1.40 Convertible Preferred Stock are then convertible) options or rights granted by Chris-Craft to the holders of its Common Stock to subscribe for shares of Common Stock or other securities.

Noncumulative Voting

Holders of Prior Preferred Stock, $1.40 Convertible Preferred Stock, $ Preferred Stock and Common Stock do not have cumulative voting rights, which means that more than 50% of the votes of the shares of all such classes of stock, voting together as a class for the election of directors, will be able to elect 100% of the directors if the holders thereof choose to do so, and in such event the remaining less than 50% of the votes of such shares voting for the election of directors will not be able to elect any directors.

Dividend and Other Restrictions

Certain debt instruments of Chris-Craft contain restrictions upon dividend payments and the purchase and redemption of capital stock. The most restrictive of these instruments, the Note Purchase Agreements dated December 20, 1965, as amended, governing Chris-Craft's 5¾% Promissory Notes, does not permit such payments in excess of an amount equal to 70% of the consolidated net income of Chris-Craft for the period from December 31, 1964, to the date of such payment. As a result of this restriction, as of August 31, 1968, $2,700,000 was available for dividend payments and the purchase and redemption of capital stock.

Transfer Agents and Registrar

The Transfer Agents and Registrar for the $ Preferred Stock will be:

Transfer Agents	Registrar
The Philadelphia National Bank (Philadelphia, Pennsylvania)	The Bank of New York (New York, New York)
The Chase Manhattan Bank (National Association) (New York, New York)	

DESCRIPTION OF WARRANTS OFFERED HEREBY

The Warrants to be delivered pursuant to the Exchange Offer are to be issued under a Warrant Agreement to be dated as of March 31, 1969 (the "Warrant Agreement"), between Chris-Craft and , as Warrant Agent (the "Warrant Agent"). A copy of the Warrant Agreement is filed as an exhibit to the Registration Statement. The Warrants will be exercisable from the date of their issue, to and including March 31, 1974, at which time the Warrants will expire. The Warrants may be exchanged or transferred by presenting them for such purpose at the office of the Warrant Agent in New York, New York. Warrants are exercisable on the basis of one share of Chris-Craft Common Stock for one Warrant upon the payment of $ in cash by the holder thereof to Chris-Craft for each such share.

The number of Warrants represented by each Warrant Certificate and the purchase price are subject to adjustment in the event of (i) any subdivision of Chris-Craft Common Stock or (ii) the issuance of Chris-Craft Common Stock as a stock dividend; provided that no such adjustment shall be made with respect to any stock dividend paid in Common Stock to holders of Common Stock in any calendar year which aggregates $1.00 or less and which the Board of Directors states are in lieu of cash dividends. In the event of certain reorganizations, mergers, consolidations, sales or conveyances of property or reclassifications, each Warrant will thereafter be exercisable for the shares of stock, securities or properties to which the Chris-Craft Common Stock issuable upon the exercise thereof at the time of the occurrence of such event would have been entitled.

When the proposed 2-for-1 stock split referred to above becomes effective, each Warrant will entitle the holder thereof to purchase two shares of Chris-Craft Common Stock at any time on or before March 31, 1974, at a purchase price of $ per share, payable in cash.

LITIGATION

An action entitled *Blau* v. *Baldwin-Montrose, et al.* was commenced in the United States District Court for the Southern District of New York in August 1966, seeking to recover for Paramount Pictures some of the profits of Baldwin-Montrose and its associates upon the sale of Paramount Pictures stock, as short-swing profit under Section 16(b) of the Securities and Exchange Act of 1934. In the opinion of C. Leonard Gordon, Vice President and General Counsel of Chris-Craft, the complaint is without merit except with respect to less than 8,000 shares purchased during the six months immediately prior to the sale of Baldwin-Montrose's holdings of Paramount stock, and with respect to such number of shares, Chris-Craft, as the successor to Baldwin-Montrose, has good defenses against the action. Baldwin-Montrose filed answers in the cases referred to in this paragraph denying on the merits the claims against Baldwin-Montrose.

On May 10, 1968, an action was commenced in the United States District Court for the Eastern District of Pennsylvania by Colonial Realty Corporation, allegedly as representative of certain stock-

holders of Chris-Craft, against Chris-Craft and others, among whom are certain individuals who are now or were formerly directors of Chris-Craft or Baldwin-Montrose. The complaint (i) alleges (a) a conspiracy to acquire control of Chris-Craft, (b) omissions or untrue statements in the Proxy Statement relating to the merger of Baldwin-Montrose with and into Chris-Craft, (c) breaches of fiduciary duties and (d) the unconstitutionality of certain sections of the General Corporation Law of the State of Delaware and (ii) prays for damages in an unspecified amount and for rescission of such merger. Motions to dismiss the action are presently pending and, accordingly, an answer on the merits has not been filed. On the basis of initial investigations and information supplied by management, Messrs. Cohen, Shapiro, Berger, Polisher & Cohen, special counsel with respect to such suit, are of the opinion that the complaint is without merit.

On February 15, 1969, an action was commenced in the United States District Court for the Southern District of New York by Harry Lewis allegedly on behalf of all the stockholders of Chris-Craft and derivatively on behalf of Chris-Craft, against Chris-Craft and others, among whom are certain individuals who are directors and/or officers of Chris-Craft. The complaint (i) alleges violation of Section 10(b) of the Securities Exchange Act of 1934, allegedly through failure to disclose information in connection with the grant of stock options and the purchase by certain officers of Chris-Craft's 6% Convertible Subordinated Debentures Due 1989 and (ii) prays for damages to Chris-Craft and its stockholders, separately, in unspecified amounts and for rescission of the grant of said stock options and the sale and issuance of said Debentures. Chris-Craft has not yet answered this complaint but on the basis of initial investigations and information, management believes that the complaint is without merit.

LEGAL OPINIONS

Legal matters in connection with the Exchange Offer are being passed upon for Chris-Craft by Messrs. Cravath, Swaine & Moore, One Chase Manhattan Plaza, New York, N. Y. 10005, and for the Dealer Managers by Messrs. Carter, Ledyard & Milburn, 2 Wall Street, New York, N. Y. 10005.

EXPERTS

The financial statements and related schedules of Chris-Craft, included or incorporated by reference in this Prospectus and elsewhere in the Registration Statement, have been examined to the extent and for the periods indicated in the reports of Arthur Andersen & Co., independent public accountants. In such reports ,that firm states that with respect to certain financial statements and schedules for years prior to 1968 (which statements and schedules are retroactively combined with those of Baldwin-Montrose Chemical Company, Incorporated to reflect the pooling of interests referred to therein), its reports are based on the reports of other auditors, namely Touche, Ross, Bailey & Smart. The reports of such other auditors, who are also independent public accountants, are also included herein or incorporated by reference elsewhere in the Registration Statement. The financial statements and related schedules of Montrose Chemical Corporation of California, included or incorporated by reference in this Prospectus and elsewhere in the Registration Statement, have been examined to the extent and for the periods indicated in the report of Haskins & Sells, independent certified public accountants. Such financial statements and schedules above are included or incorporated by reference herein and in the Registration Statement in reliance upon the reports of the respective accounting firms referred to and upon the authority of such firms as experts in accounting and auditing.

The information under the "Federal Regulation" section under the subheading "Television Broadcasting Division" under the heading "Business and Property of Chris-Craft" herein has been reviewed by Messrs. Hogan & Hartson, 815 Connecticut Avenue, Washington, D. C., counsel to Chris-Craft on such matters, and the statements therein as to matters of law and legal conclusions have been included herein in reliance upon the authority of that firm as experts in such matters.

The information under the heading "Litigation" herein has been reviewed by Messrs. Cohen, Shapiro, Berger, Polisher & Cohen, Philadelphia Saving Fund Building, Philadelphia, Pennsylvania 19107, and by C. Leonard Gordon, Vice President and General Counsel of Chris-Craft, with respect to the litigation indicated, and the statements and legal conclusions therein have been included herein in reliance upon the authority of such persons as experts in such matters.

ADDITIONAL INFORMATION

Chris-Craft has filed with the Securities and Exchange Commission, Washington, D. C., a Registration Statement under the Securities Act of 1933 covering the securities being offered hereby. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement, and the exhibits and schedules included therein, for further information with respect to Chris-Craft and the securities to which this Prospectus relates. Statements herein contained covering the provisions of any document are not necessarily complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement. Each such statement is qualified in its entirety by such reference.

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The consolidated financial statements of Piper Aircraft Corporation and subsidiary included in this Registration Statement and Prospectus have been taken from Annual Reports on Form 10-K filed by Piper Aircraft Corporation with the Securities and Exchange Commission under the Securities Act of 1934. In this regard, it should be noted that the Securities and Exchange Commission does not approve or disapprove or pass upon the accuracy or adequacy of, information filed with it. Chris-Craft cannot warrant the accuracy or completeness of the information concerning Piper contained herein or that events, unknown to Chris-Craft, have not occurred which would affect the significance or accuracy of such information.

REPORTS OF INDEPENDENT PUBLIC ACCOUNTANTS

To Chris-Craft Industries, Inc.

We have examined the consolidated balance sheet of Chris-Craft Industries, Inc. (a Delaware corporation) and subsidiaries as of August 31, 1968, the related statements of consolidated income for the five years and eight months ended August 31, 1968, and the related statements of capital surplus and retained earnings for the three years and eight months ended August 31, 1968. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Chris-Craft Industries, Inc. for years prior to 1968 (which statements are retroactively combined with those of Baldwin-Montrose Chemical Company, Incorporated to reflect the pooling of interests discussed in Note 1 to the financial statements), but we were furnished with the reports of other auditors thereon. The opinion of the other auditors was qualified as to consistency for the change (which they approved) in pricing of inventories; however, in our opinion, this matter is not material in relation to the consolidated financial statements.

In our opinion, based upon our examinations and the reports of other auditors referred to above, the accompanying financial statements present fairly the financial position of Chris-Craft Industries, Inc. and subsidiaries as of August 31, 1968, and the results of their operations for the five years and eight months then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & Co.

New York, New York,
October 22, 1968.

To Chris-Craft Industries, Inc.

We have examined the statements of consolidated income of Chris-Craft Industries, Inc. and subsidiaries (prior to the pooling of interests with Baldwin-Montrose Chemical Company, Incorporated, as discussed in Note 1 to the financial statements included herein) for the five years ended December 31, 1967, and the related statements of retained earnings and capital surplus for the three years ended December 31, 1967 (which statements are not presented separately herein). Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated results of operations of Chris-Craft Industries, Inc. and subsidiaries for the years stated above in conformity with generally accepted accounting principles applied, except for the change (which we approve) in pricing of inventories described in Note 2 to the financial statements included herein, on a consistent basis.

TOUCHE, ROSS, BAILEY & SMART

San Francisco, California,
February 16, 1968.

CHRIS-CRAFT INDUSTRIES, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—AUGUST 31, 1968 (Note 1)

ASSETS

CURRENT ASSETS:	
Cash, including certificates of deposit of $7,600,000	$ 12,208,432
Marketable securities, at cost (quoted market $2,251,200 at August 31 and $2,827,650 at October 22, 1968)	2,536,847
Accounts receivable, less allowance of $210,000 for doubtful accounts	7,503,983
Inventories, at the lower of cost, principally first-in, first-out, or market (Note 2)	19,771,989
Film contract rights	3,046,100
Prepaid expenses, etc.	1,229,521
Total current assets	$ 46,296,872
INVESTMENT IN MONTROSE CHEMICAL CORPORATION OF CALIFORNIA, 50% INTEREST, at cost (Note 1)	$ 9,603,231
FILM CONTRACT RIGHTS, less estimated portion to be used within one year	$ 6,212,643
PROPERTY, PLANT AND EQUIPMENT—At cost (Note 3):	
Land, buildings and improvements	$ 15,925,250
Machinery and equipment	18,455,217
	$ 34,380,467
Less—Accumulated depreciation	15,076,549
	$ 19,303,918
INTANGIBLE ASSETS (Note 4)	$ 27,571,662
OTHER ASSETS:	
Receivables due after one year	$ 396,336
Deferred debt expense	237,893
Miscellaneous	482,968
	$ 1,117,197
	$110,105,523

The accompanying notes to consolidated financial statements are an integral part of this statement.

CHRIS-CRAFT INDUSTRIES, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—AUGUST 31, 1968 (Note 1)

LIABILITIES AND STOCKHOLDERS' INVESTMENT

CURRENT LIABILITIES:	
Current portion of long-term debt	$ 1,386,208
Accounts payable	5,381,205
Dividends payable	509,514
Accrued expenses—	
Payroll	903,815
Taxes other than Federal income taxes	692,447
Interest	278,210
Other	1,059,529
Federal income taxes	3,469,727
Film contracts payable within one year	2,995,289
Total current liabilities	$ 16,675,944
LONG-TERM DEBT (Notes 5 and 6):	
5¾% promissory notes	$ 17,900,000
7% subordinated debentures	3,780,000
Other notes payable	444,797
	$ 22,124,797
FILM CONTRACTS PAYABLE AFTER ONE YEAR	$ 3,694,694
DEFERRED FEDERAL INCOME TAXES	$ 996,100
STOCKHOLDERS' INVESTMENT (Notes 6 and 7):	
Cumulative convertible preferred stock—	
Prior preferred stock—$1 dividend, stated at liquidating value of $21.50 per share, authorized 257,481 shares; outstanding 251,946 shares convertible, until June 1, 1971	$ 5,416,839
Convertible preferred stock—$1.40 dividend ($1.20 stock—$.20 cash through March 31, 1973; thereafter $1.40 cash; convertible on and after October 1, 1968), at stated value of $17.50 per share, liquidating value $23 per share aggregating $19,761,530; par value $1 per share for shares issued—authorized 2,000,000 shares, issued 859,197 shares	15,035,948
Common stock—authorized 5,742,519 shares, issued 1,355,857 shares—at stated capital amount	2,146,628
Capital surplus	23,689,130
Retained earnings (Note 5)	20,325,443
	$ 66,613,988
COMMITMENTS AND CONTINGENT LIABILITIES (Note 9)	
	$110,105,523

The accompanying notes to consolidated financial statements are an integral part of this statement.

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CHRIS-CRAFT INDUSTRIES, INC.
AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED CAPITAL SURPLUS (Note 1)

For the Three Years and Eight Months Ended August 31, 1968
(In thousands)

	Year Ended December 31,			Eight Months Ended August 31,
	1965	1966	1967	1968
Balance at beginning of period	$14,411	$16,271	$19,293	$26,560
Add (Deduct):				
Excess of market value over par value of stock dividends:				
5% common	1,665	1,709	—	—
$.60 preferred	—	—	—	232
Excess of proceeds over par or stated value of shares issued under stock option plans	12	226	154	40
Excess of principal amount of debentures converted over par value of capital stock issued on conversion, less debt discount and expense and cash adjustments	—	—	1,532	6,625
Retirement of treasury stock	—	—	—	(11,921)
Transactions of Baldwin-Montrose prior to pooling of interests:				
Payment of stock dividends	—	383	803	—
Excess of principal amount of debentures converted over par value of capital stock issued on conversion, less debt discount and expense and cash adjustments	—	—	4,627	2,035
Miscellaneous	183	704	151	424
Expenses of pooling of interests	—	—	—	(314)
Miscellaneous	—	—	—	8
Balance at end of period	$16,271	$19,293	$26,560	$23,689

The accompanying notes to consolidated financial statements are an integral part of these statements.

CHRIS-CRAFT INDUSTRIES, INC. 350
AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED RETAINED EARNINGS (Note 1)

For the Three Years and Eight Months Ended August 31, 1968
(In thousands)

	Year Ended December 31,			Eight Months Ended August 31,
	1965	1966	1967	1968
Balance at beginning of period	$21,840	$24,262	$26,264	$27,382
Add—Net income	4,614	4,965	3,980	2,211
Deduct:				
Dividends of the Company				
Preferred stock				
Cash 1968—$.10	—	—	—	210
Stock 1968—$.60	—	—	—	446
Common stock				
Cash 1966—$.25, 1967—$1.30, 1968—$.75	—	372	1,639	884
Stock 1965—5%—1966—5%	1,760	1,803	—	—
Dividends of Baldwin-Montrose prior to pooling of interests				
Cash	432	384	382	128
Stock	—	404	841	—
Retirement of treasury stock	—	—	—	7,600
Balance at end of period	$24,262	$26,264	$27,382	$20,325

The accompanying notes to consolidated financial statements are an integral part of these statements.

CHRIS-CRAFT INDUSTRIES, INC.

AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) PRINCIPLES OF CONSOLIDATION:

(a) *Change in Fiscal Year—*

In 1968, the Company changed its fiscal year from December 31 to August 31.

(b) *Pooling of Interests—*

In June 1968, Baldwin-Montrose Chemical Company, Incorporated and wholly-owned subsidiaries were merged with and into the Company pursuant to a plan and agreement of merger whereby 702,263 shares of $1.40 Convertible Preferred Stock were issued to Baldwin-Montrose common shareholders. This merger has been accounted for as a pooling of interests and the consolidated financial statements have been restated retroactively.

(c) *Subsidiaries Included in the Consolidated Financial Statements—*

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. Accounts of foreign subsidiaries were converted at the applicable rates of exchange in effect at August 31, 1968. The Company's equity in net assets of its subsidiaries as of August 31, 1968, exceeds its investment in the consolidated subsidiaries by $4,342,278. In consolidation, $8,406,178, representing the Company's equity in net undistributed earnings of such subsidiaries since acquisition is included in retained earnings, and of the difference, representing the excess of cost of investments over net assets at dates of acquisition, $189,787 is included in property, plant and equipment and $3,874,113 is included in intangible assets.

(d) *Investment in 50% Owned Company—*

The Company's investment in Montrose Chemical Corporation of California, which is 50% owned by the Company, amounted to $9,603,231 at August 31, 1968. The carrying value of this investment was $8,125,565 in excess of the underlying book value of $1,477,666 at August 31, 1968 and $9,601,981 in excess of its tax basis. The Company follows the policy of recording dividends as received rather than its 50 per cent equity in net income. Reference is made to the financial statements of Montrose California included elsewhere in this Prospectus.

(2) INVENTORIES:

The opening and closing inventories used in the computation of cost of goods sold are as follows:

January 1, 1965	$15,406,564
December 31, 1965	$17,370,017
December 31, 1966	$22,052,410
December 31, 1967	$21,031,050
August 31, 1968:	
Raw materials	$ 9,838,131
Work in process	4,124,420
Finished goods	5,809,438
	$19,771,989

Effective January 1, 1966, the Boat Division changed its method of valuing inventories from last-in, first-out to first-in, first-out as discussed in Note 4. The inventories at January 1, 1965 and December 31, 1965, as shown above, include $11,676,745 and $13,428,848 on the last-in, first-out method. If the Company had continued the last-in, first-out method, net income for 1966 would have been decreased by $158,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(3) Depreciation and Amortization Policy:

The Company provides for depreciation and amortization of property, plant and equipment generally on a straight-line basis over the estimated useful lives of the various assets. The annual depreciation rates used are as follows:

Buildings and improvements	2%-33⅓%
Machinery and equipment	4%-33⅓%
Furniture and fixtures	6⅔%-16⅔%

Certain assets acquired subsequent to January 1, 1954 are being depreciated for income tax purposes using accelerated methods. The amount of income taxes deferred because of using such accelerated methods for income tax purposes while recording straight-line depreciation and amortization on the books are being currently charged to income and credited to the reserve for deferred income taxes. This reserve will be charged with the increase in income taxes payable in future years as a result of using these tax deductions currently.

As a result of the investment credit allowable under the Internal Revenue Code of 1964, the provisions for income taxes have been reduced by $61,000 in 1965, $66,000 in 1966, $94,000 in 1967 and $53,000 in the eight months ended August 31, 1968.

Maintenance and repairs are charged to expense as incurred and renewals and betterments are capitalized. Upon the retirement or other disposition of property, the reserve for depreciation is charged with the amounts accumulated therein with respect to such property, and the resultant profit or loss is credited or charged to income.

Leasehold improvements are amortized over the period of the lease and television film rights are amortized over the period of the contract.

(4) Intangible Assets:

The excess of the purchase prices of businesses acquired over net tangible assets at dates of acquisition have been assigned to intangible assets. These intangibles are not considered to have diminished in value and are not being amortized.

On December 31, 1965, Chris-Craft Corporation, a wholly-owned subsidiary, was liquidated into the Company and now operates as its Boat Division. Effective January 1, 1966, the basis of certain assets of the former subsidiary was increased for Federal income tax purposes and the net tax savings realized from the liquidation are being credited to intangible assets. At the date of liquidation of Chris-Craft Corporation, the last-in, first-out method of inventory valuation used by the former subsidiary was changed to the first-in, first-out method for both financial reporting and tax purposes as discussed in Note 2. The difference between lifo and fifo inventory valuations as of January 1, 1966, amounting to $1,492,050, has been added to inventory and credited to intangible assets.

(5) Long-Term Debt and Restrictions:

The provisions of the 5¾% Promissory Note Purchase Agreements are more restrictive as to the payment of dividends than the Indenture covering the 7% subordinated debentures. As of August 31, 1968, approximately $2,700,000 of consolidated net income (as defined) is free of such restriction and is available for payment of cash dividends. The notes, which are unsecured, require payments of $1,100,000 annually, from December 15, 1968 through December 15, 1984. The Company is presently negotiating changes in the Agreements which would increase annual payments to $1,500,000 with maturity at December 15, 1979. These negotiations were completed in December, 1968.

The 7% subordinated debentures due September 30, 1972 require annual sinking fund payments on May 15 based on consolidated net income (as defined) for the preceding year. The principal amount outstanding at August 31, 1968 of $3,780,000 is stated net of $551,900 principal amount of debentures repurchased and held for future sinking fund payments.

The aggregate minimum maturities and sinking fund requirements on long-term debt for the five years subsequent to August 31, 1968 are $1,386,000 in 1969, $1,206,000 in 1970, $1,206,000 in 1971, $1,186,000 in 1972 and $1,115,000 in 1973.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(6) CAPITAL STOCK:

As of August 31, 1968, shares of the Company's authorized but unissued capital stock were reserved for issuance as follows:

	Convertible Preferred Stock	Common Stock
Conversion of Convertible Preferred Stock	—	859,197
Conversion of Prior Preferred Stock	127,794	—
Stock options as set forth in Note 7	16,200	97,934
Warrants	—	96,306
Stock purchase plan	—	10,000
Conversion of reserved Convertible Preferred Stock	(143,994)	143,994
TOTAL	—	1,207,431

On August 12, 1968, the Company called all outstanding 6¼% and 5¼% convertible subordinated debentures for redemption on September 12, 1968 and September 27, 1968, respectively. As of August 31, 1968, $2,816,000 of the 6¼% debentures and $4,544,000 of the 5¼% debentures were outstanding. Subsequent to August 31, 1968, 94,575 shares of convertible preferred stock were issued upon conversion of 6¼% debentures, 156,884 shares of common stock were issued upon conversion of 5¼% debentures and $335,719 was paid on redemption of the remaining convertible debentures. These transactions have been reflected in the accompanying consolidated financial statements as having occurred as of August 31, 1968.

The Company issued 12,250 shares of convertible preferred stock in connection with a 6% stock dividend declared August 15, 1968, payable September 30, 1968 to holders of record September 16, 1968. This transaction has been reflected in the accompanying financial statements as having occurred as of August 31, 1968.

Warrants are held by certain institutions exercisable at their option for a period of ten years from October 10, 1961 for 96,306 shares of Chris-Craft Industries, Inc. common stock at $25.31 a share, as adjusted for the stock dividend and subject to further adjustment under certain conditions.

Each share of prior preferred stock may be converted, subject to adjustment under certain conditions, into .50723 share of convertible stock until June 1, 1971. The Company may redeem the prior preferred stock, or any part thereof, at $25.00 per share. In the accompanying balance sheet, outstanding prior preferred stock does not include 4,700 shares which have been acquired by the Company and are being held by the Company for retirement.

Each share of convertible preferred stock may be converted at any time, subject to adjustment under certain conditions into one share of common stock. The Company may redeem the convertible preferred stock, or any part thereof, at $40.00 per share, but not before the earliest of the redemption or elimination of all outstanding shares of prior preferred stock or June 1, 1971.

(7) STOCK OPTIONS:

Under the Company's qualified stock option plans, as in effect from time to time, shares of the Company's common stock have been made available for options to employees of the Company and its subsidiaries. In addition, the Company has assumed options previously granted by Baldwin-Montrose Chemical Company, Incorporated, in connection with the merger of Baldwin-Montrose with and into the Company, which are now exercisable in shares of the Company's convertible preferred stock. Options granted for common stock are exercisable one third after the end of each of the first, second and third years from the date of grant. Options granted for preferred stock are exercisable one fourth after the end of each of the first, second, third and fourth years from the date of grant. Under the Company's plans and the plan of Baldwin-Montrose, the rights of exercise are cumulative and the option price is 100% of fair market value on the date the option is granted.

As of August 31, 1968, 97,934 shares of the unissued common stock and 16,200 shares of the unissued convertible preferred stock were reserved for issuance under stock option plans of the Company. Of these, options for 5,787 shares of common stock and 16,200 shares of convertible preferred stock were outstanding as of that date and options for 1,250 shares of convertible preferred stock were exercisable.

During the eight months ended August 31, 1968, the Company granted an option for 5,787 shares of common stock at $29.125 per share, and options for 520 shares convertible preferred stock were cancelled.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A summary of pertinent information with respect to these stock options for the three years and eight months ended August 31, 1968 is presented below:

	Number of Shares	Option Price		Market Price	
		Per Share	Total	Per Share	Total
Common Stock:					
Shares subject to option by year of grant:					
Eight months ended August 31, 1968...	5,787	$29.125	$168,546	$29.125	$ 168,546
Options which became exercisable during:					
Year ended December 31,					
1965	13,828	$12.07 & $13.13	$169,854	$16.00 & $23.13	$ 241,233
1966	2,975	12.50	37,187	23.13	68,812
1967	3,123	11.90	37,164	38.00	116,674
Eight months ended August 31, 1968...	—	—	—	—	—
	19,926		$244,205		$ 428.719
Options exercised during:					
Year ended December 31,					
1965	1,100	$12.07	$ 13,277	$22.63	$ 24,893
1966	21,464	10.94- 12.50	247,401	19.00- 26.38	539,544
1967	14,887	10.94- 11.90	168,412	28.88- 40.38	445,450
Eight months ended August 31, 1968...	2,066	11.90	24,585	33.50- 35.38	71,889
	39,517		$453,675		$1,081,776
Convertible Preferred Stock:					
Shares subject to option by year of grant:					
Year ended December 31,					
1964	1,300	$20.00-$25.75	$ 27,869	$20.00-$25.75	$ 27,869
1965	3,980	21.25	84,575	21.25	84,575
1967	10,920	30.00- 36.00	346,320	30.00- 36.00	346,320
Eight months ended August 31, 1968...	—	—	—	—	—
	16,200		$458,764		$ 458,764
Options which became exercisable during:					
Year ended December 31,					
1965	11,537	$ 8.00-$21.50	$118,773	$18.26-$27.26	$ 299,469
1966	8,273	8.50- 25.76	116,270	13.50- 20.76	165,390
1967	3,295	20.00- 25.76	70,263	20.00- 25.76	70,263
Eight months ended August 31, 1968...	780	36.00	28,080	40.875	31,883
	23,885		$333,386		$ 567,005
Options exercised during:					
Year ended December 31,					
1965	6,906	$ 8.00-$12.00	$ 61,560	$24.00-$25.00	$ 166,619
1966	13,506	8.00- 12.00	128,415	17.50- 25.60	256,793
1967	5,912	8.50- 21.25	63,643	22.25- 39.75	204,638
Eight months ended August 31, 1968...	6,348	20.00- 25.76	133,355	30.25- 49.00	261,822
	32,672		$386,973		$ 889,872

The Company has made no charges to income for any year in connection with stock options. Upon exercise of the options, the proceeds are credited to common stock to the extent of par value, or convertible preferred stock to the extent of $17.50 stated value, and capital surplus.

In September and October 1968, the Company granted additional options for 68,713 shares of common stock at a price of $35.94 per share and 10,000 shares of common stock at a price of $39.00 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(8) Pension and Profit Sharing Plans

The Company has several trusteed pension plans. The costs of the plans charged to income, including past service costs which are being funded over twenty to thirty years, were approximately $347,000, $390,000, and $529,000 in 1965, 1966 and 1967 respectively, and $415,000 in the eight months ended August 31, 1968. The Company's policy is to fund pension costs accrued. Unfunded past service costs are approximately $625,000 at August 31, 1968.

On May 15, 1968, the shareholders adopted and approved a non-contributory profit sharing plan which, effectively, continued a similar plan of Baldwin-Montrose. The plan provides for contributions by the Company to a trust fund in amounts determined by the Board of Directors which may not exceed 10% of the Company's income before taxes or 12% of the salaries of the participants (eligible full-time salaried employees). Costs and expenses for 1965, 1966, 1967 and the eight months ended August 31, 1968 were approximately $98,000, $97,000, $72,000 and $76,000, respectively.

(9) Commitments and Contingent Liabilities

The California Franchise Tax Board has asserted that the 1961 refinancing of Chris-Craft Industries, Inc. and its wholly-owned subsidiary, Chris-Craft Corporation, resulted in a taxable dividend to Chris-Craft Industries, Inc. and has proposed a franchise tax assessment of approximately $600,000, including interest and net of Federal income tax reduction. The State Board of Equalization has ruled in favor of Chris-Craft Industries, Inc. However, the California Franchise Tax Board has requested reconsideration of the case. In the opinion of special counsel to the Company in connection with this matter, there is no reasonable legal justification for granting such request for reconsideration and therefore the petition for reconsideration should be denied. On February 7, 1969, such request and petition were denied.

(10) Supplementary Profit and Loss Information

	Thousands of Dollars			
	Year Ended December 31			Eight Months Ended August 31, 1968
	1965	1966	1967	
Maintenance and repairs:				
Cost of sales or television expenses	$1,135	$1,238	$1,260	$1,010
Selling and general expenses	34	40	35	26
	$1,169	$1,278	$1,295	$1,036
Depreciation of property, plant and equipment:				
Cost of sales or television expenses	$1,413	$1,432	$1,495	$1,093
Selling and general expenses	111	136	158	123
	$1,524	$1,568	$1,653	$1,216
Taxes other than income taxes:				
Cost of sales or television expenses	$1,474	$1,591	$1,513	$1,338
Selling and general expenses	630	757	624	493
	$2,104	$2,348	$2,137	$1,831
Detail of taxes included above:				
Property	$ 504	$ 518	$ 581	$ 394
Payroll	1,250	1,402	1,264	1,132
State income and franchise	301	403	282	289
Other	49	25	10	16
	$2,104	$2,348	$2,137	$1,831
Rents and royalties:				
Cost of sales or television expenses	$ 228	$ 281	$ 346	$ 312
Selling and general expenses	100	144	156	139
	$ 328	$ 425	$ 502	$ 451

There were no management or service contract fees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(11) Events Subsequent to Date of Report of Independent Public Accountants

In December, 1968, the Company sold $25,723,200 6% Convertible Subordinated Debentures, due 1989. The Debentures are convertible into common stock at $42 per share and, accordingly, 612,457 shares have been reserved for conversion of such Debentures.

In February, 1969, the Company borrowed $15,000,000 from a bank under a 7% demand note.

The Company has purchased 547,016 shares of common stock of Piper Aircraft Corporation at a cost of approximately $34,500,000 and, as described in this Prospectus, is offering to acquire additional shares in exchange for shares of its Preferred Stock, $ Convertible Series of 1969, and Warrants to purchase common stock.

On January 14, 1969, the Board of Directors authorized an increase of 150,000 in the number of shares of common stock reserved for the Employees' Stock Option Plan, subject to stockholder approval.

On February 7, 1969, the Board of Directors approved a two-for-one split of common stock, subject to approval of the shareholders. The effect of the stock split has not been reflected in the financial statements.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

MONTROSE CHEMICAL CORPORATION OF CALIFORNIA:

We have examined the balance sheet of Montrose Chemical Corporation of California as of June 30, 1968 and the related statement of income and retained earnings for the five full years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As stated in Note 2 to the financial statements, during the current year the Company, with our concurrence, extended the remaining useful lives of certain equipment with a consequent decrease in depreciation charges (and increase in net income) for the year. In our opinion, this change does not represent a change in the consistent application of accounting principles but does affect the comparability of the statement of income for 1968 with those of the prior years.

In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the financial position of Montrose Chemical Corporation of California as of June 30, 1968 and the results of its operations for the five full years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Los Angeles, California,
August 7, 1968.

MONTROSE CHEMICAL CORPORATION OF CALIFORNIA

BALANCE SHEETS

June 30, 1968 and (Unaudited) December 31, 1968

	June 30, 1968	December 31, 1968 (Unaudited)
ASSETS		
Current Assets:		
Cash (including certificate of deposit $575,000 at June 30, 1968)	$1,027,643	$ 106,810
Short-term investment (at cost plus accrued interest, which approximates market)	302,318	—
Accounts receivable:		
Trade	1,316,016	1,986,608
Other	48,351	31,459
Total accounts receivable	1,364,367	2,018,067
Inventories (Note 1):		
Finished products	631,728	1,026,105
Products in process	376,673	328,680
Raw materials	241,916	302,440
Supplies	103,614	73,537
Total inventories	1,353,931	1,730,762
Prepaid expenses	145,563	214,462
Total current assets	4,193,822	4,070,101
Property, Plant and Equipment—at cost, (Note 2):		
Plant, structures and equipment	2,424,813	2,650,410
Automotive equipment	10,473	10,473
Office furniture and equipment	21,706	26,198
Construction work in progress	115,084	83,372
Total	2,572,076	2,770,453
Less accumulated depreciation and amortization	851,008	979,640
Property, plant and equipment—net	1,721,068	1,790,813
Total	$5,914,890	$5,860,914
LIABILITIES		
Current Liabilities:		
Accounts payable—Trade:		
Vendors other than associated companies	$ 570,266	$ 545,264
Stauffer Chemical Company	1,680,216	1,845,444
Chris-Craft Industries, Inc.	85,825	168,760
Total accounts payable	2,336,307	2,559,468
Accrued Liabilities:		
Federal income taxes (Note 3)	541,224	138,162
Salaries and wages	86,787	49,787
Other	95,698	154,520
Total accrued liabilities	723,709	342,469
Total current liabilities	3,060,016	2,901,937
Commitments and Contingent Liabilities (Notes 2 and 5)		
Stockholders' Equity:		
Capital stock (authorized 1,000 shares of no par value; issued and outstanding, 500 shares) (Note 4)	2,500	2,500
Retained earnings	2,852,374	2,956,477
Total stockholders' equity	2,854,874	2,958,977
Total	$5,914,890	$5,860,914

The notes to financial statements are an integral part of these statements.

MONTROSE CHEMICAL CORPORATION OF CALIFORNIA

STATEMENTS OF INCOME AND RETAINED EARNINGS

	Year Ended June 30					Six Months Ended December 31,	
	1964	1965	1966	1967	1968	1967	1968
						(Unaudited)	
Net sales (Note 5)	$13,407,064	$15,651,440	$12,843,643	$11,697,710	$14,838,222	$ 6,102,147	$ 8,551,605
Cost of products sold	11,454,601	15,021,506	10,174,424	9,907,575	13,177,362	5,738,375	7,194,220
General and administrative expenses	486,405	457,388	428,525	486,822	498,727	257,058	266,263
Interest	38,001	54,006	37,713	74,173	41,566	22,090	—
Other charges—net	43,527	7,505	33,981	44,470	23,254	28,056	(22,979)
Total	12,022,534	15,540,405	10,674,643	10,513,040	13,740,909	6,045,579	7,437,504
Income before Federal income taxes and extraordinary item	1,384,530	111,035	2,169,000	1,184,670	1,097,313	56,568	1,114,101
Federal income taxes (Note 2)	663,564	19,756	1,043,000	560,000	489,000	2,886	559,998
Income before extraordinary item	720,966	91,279	1,126,000	624,670	608,313	53,682	554,103
Extraordinary item—Fire insurance recovery for property damage and business interruption, net of applicable income taxes of $561,960 (Note 7)	—	—	—	—	733,197	733,197	—
Net income	720,966	91,279	1,126,000	624,670	1,341,510	786,879	554,103
Retained earnings at beginning of period	1,547,949	1,768,915	1,860,194	2,186,194	2,210,864	2,210,864	2,852,374
Total	2,268,915	1,860,194	2,986,194	2,810,864	3,552,374	2,997,743	3,406,477
Less cash dividends (rate per share—1964, $1,000; 1966, $1,600; 1967, $1,200; 1968, $1,400; six months ended December 31, 1967, $400 and for the six months ended December 31, 1968, $900)	500,000	None	800,000	600,000	700,000	200,000	450,000
Retained earnings at end of period	$ 1,768,915	$ 1,860,194	$ 2,186,194	$ 2,210,864	$ 2,852,374	$ 2,797,743	$ 2,956,477

The notes to financial statements are an integral part of these statements.

NOTE:

The statements of income and retained earnings for the six months ended December 31, 1967 and 1968 are unaudited; in the opinion of Montrose-California such unaudited statements include all adjustments (which comprise only normal recurring accruals and estimated recoveries under insurance policies—Note 7) necessary for a fair presentation of the results for these periods. Interim results are not necessarily indicative of the results of operations for the years ending June 30, 1968 and 1969.

The substantial fluctuations in Montrose-California earnings over the past five years are the results of periods of severe price competition. The demand for DDT is seasonal and subject to weather, insect infestation, government planting controls and other factors. When there is a large carryover of DDT from one season to the next prices typically are cut to move inventory. Frequently the following season may see a short supply with improved profits.

MONTROSE CHEMICAL CORPORATION OF CALIFORNIA

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NOTES TO FINANCIAL STATEMENTS

For the Three Years Ended June 30, 1968 and (Unaudited) Six Months Ended December 31, 1968

1. INVENTORIES:

Inventories used in determining the cost of products sold for the three years and six months ended December 31, 1968 were as follows: June 30, 1965, $744,033; 1966, $1,465,761; 1967, $1,949,605; 1968, $1,353,931; and December 31, 1968, $1,730,762.

The inventories are stated generally at the lower of cost or market, cost being determined under the first-in, first-out method.

2. PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION:

The Company has plants at Henderson, Nevada, and Torrance, California which are on land leased from Stauffer Chemical Company. The Henderson plant is engaged in the preparation of chloral and monochlorobenzene, and produces muriatic acid and polychlorinated benzenes as by-products. The Torrance plant is engaged in the synthesization of dichlorodiphenyltrichloroethane (DDT) utilizing the products produced at Henderson. The current leases expire in 1972, with three successive options of renewal for periods of five years each. Annual rental payments under the current leases are $20,720.

It is the policy of the Company to provide for depreciation of property, plant and equipment under the "straight-line" method based on the estimated lives of the various classes of assets. The principal annual rates of depreciation are as follows: plant, structures and equipment 12½%; automotive equipment 33⅓%; and office furniture and equipment 12½%. Leasehold improvements are amortized under the "straight-line" method over the terms of the applicable leases or the estimated lives of the improvements, whichever period is less.

The provision for depreciation and amortization, computed on the straight-line method, was $218,625 for the year ended June 30, 1968. During the current year the estimated useful lives of certain equipment were extended. This change decreased depreciation approximately $134,000 and increased net income approximately $67,000 for the year.

Properties and equipment retired or otherwise disposed of before becoming fully depreciated have been eliminated from the asset accounts and appropriate adjustments therefor have been made in the related accumulated depreciation accounts. Any resultant gains or losses have been taken into income.

It has been the accounting practice of the Company to eliminate, periodically, from the property accounts and related accumulated depreciation accounts, the carrying value of assets that become fully depreciated although the property may be continued in use.

Maintenance and repairs are charged to operations. Major renewals and betterments are charged to plant and equipment asset accounts which are concurrently relieved of actual or estimated costs of the units replaced.

3. FEDERAL INCOME TAXES:

The amount of investment credit recorded as a reduction of taxes amounted to $15,643, $10,574 and $78,035 for the three years ended June 30, 1966, 1967 and 1968, respectively, and $19,179 for the six months ended December 31, 1968.

The Federal income tax liabilities of the Company through the year ended June 30, 1967 have been settled with the Internal Revenue Service and paid. The liability for the years ended June 30, 1968 is subject to final determination by the Service; however, the Company is of the opinion that the amount provided therefor in the accounts is adequate.

4. CAPITAL STOCK:

The Company's outstanding capital stock is owned equally by Chris-Craft Industries, Inc. and Stauffer Chemical Company. No shares are reserved for officers or employees of Montrose Chemical Corporation of California nor are any shares reserved for options, warrants, conversions or other rights.

5. SALES:

Sales amounting to approximately $6,418,000 and $5,600,000 for the year ended June 30, 1968 and the six months ended December 31, 1968, respectively, were made to agencies of the United States Government and are subject to renegotiation under the Renegotiation Act of 1951. In the opinion of the Company no renegotiation refund will be required. The Company has received clearance from the Renegotiation Board for all years through June 30, 1967.

NOTES TO FINANCIAL STATEMENTS—(Continued)

6. PENSION PLAN:

Employees of the Company, after having completed one year of continuous service, are entitled to participate under a retirement plan of Stauffer Chemical Company. The cost of the plan as it applies to its employees is borne by the Company, but certain hourly employees having basic earnings of more than $3,000 per year may increase their benefits by contributing to the Plan. The plan provides for retirement annuities based on service, computed as scheduled in the plan. The costs of the plan to the Company for the three years ended June 30, 1968 and the six months ended December 31, 1968 were $72,260, $80,264, $84,623 and $36,[illegible], respectively. As of June 30, 1968, the remaining amount required to fund past-service benefits was estimated at approximately $144,000 and is being amortized over a 30-year period.

7. EXTRAORDINARY ITEM:

In September 1967, the Company's Henderson, Nevada plant was partially destroyed by a fire which suspended normal operations until November 1967. The extraordinary item shown in the accompanying statement of income and retained earnings consists of insurance proceeds of $624,856 for property damages and $720,124 for loss of profits due to business interruption before deducting related costs and expenses of $49,823 and applicable Federal income taxes of $561,960.

8. BUSINESS:

Reference is made to the caption "Business and Property of Chris-Craft" in this Prospectus for information as to the nature of the business activities of the Company and its relationship to and agreement with its two stockholders.

9. SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

	Charged Directly to Profit and Loss							
	Year Ended June 30,						Six Months Ended December 31, 1968 (Unaudited)	
	1966		1967		1968			
	Costs	Other	Costs	Other	Costs	Other	Costs	Other
Maintenance and repairs	$596,265		$681,450		$807,257	$ 2,539	$416,196	$ 583
Depreciation and amortization	$376,232	$ 1,861	$305,438	$ 26,269	$215,545	$ 3,080	$141,806	$ 1,658
Taxes (other than Federal income taxes):								
Property	$ 42,648	$ 2,203	$ 60,864	$ 1,362	$ 85,107	$ 7,934	$ 24,968	$ 1,559
Payroll	72,283	1,432	82,604	1,665	98,539	2,788	46,405	394
State franchise		3,574		55,252		38,598		40,277
Miscellaneous		1,108		695	1,872	609	320	288
Total	$114,931	$ 8,317	$143,468	$ 58,974	$185,518	$ 49,929	$ 71,693	$ 42,518
Management and service contract fees to parent companies		$266,667		$266,667		$266,667		$133,333
Rents	$ 12,442	$ 4,708	$ 17,568	$ 5,652	$ 25,898	$ 3,218	$ 32,914	$ 1,580

PIPER AIRCRAFT CORPORATION

CONSOLIDATED BALANCE SHEET

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September 30, 1968

ASSETS

Current assets:		
Cash and commercial paper		$ 4,500,432
Notes and accounts receivable (less allowance of $615,000)		4,965,458
Inventories, at the lower of cost (first-in, first-out method) or market (Note 2):		
Finished airplanes	$ 5,339,254	
Service parts	2,906,265	
Work in process	16,593,604	
Purchased materials, parts and supplies	7,389,150	32,228,273
Prepaid expenses		202,331
Total current assets		41,896,494
Property, plant and equipment, at cost (Note 3):		
Land	778,996	
Buildings	11,797,768	
Machinery and equipment	7,927,400	
	20,504,164	
Less accumulated depreciation	8,441,995	
Net property, plant and equipment		12,062,169
Deferred charges and other assets		210,960
		$54,169,623

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable		$ 4,614,373
Salaries and wages		1,720,668
Federal income tax		1,325,935
Other taxes		420,611
Customers' deposits and advance payments		1,017,970
Total current liabilities		9,099,557
5⅞% notes due 1975-1984		10,000,000
Stockholders' equity:		
Preferred stock, par value $5 per share: Authorized—100,000 shares; none issued		
Common stock, par value $1 per share (Note 5): Authorized—5,000,000 shares		
Issued and outstanding—1,639,600 shares	$ 1,639,600	
Additional paid-in capital (Note 5)	8,969,004	
Retained earnings (Note 6)	24,461,462	
Total stockholders' equity		35,070,066
		$54,169,623

See accompanying notes.

PIPER AIRCRAFT CORPORATION

STATEMENTS OF CONSOLIDATED RETAINED EARNINGS

	Year Ended September 30,		
	1966	1967	1968
Balance at beginning of period	$17,757,132	$22,189,110	$22,892,961
Net income for year	6,870,637	2,991,048	3,863,416
	24,627,769	25,180,158	26,756,377
Cash dividends—$1.50, $1.40 and $1.40 per share	2,438,659	2,287,197	2,294,915
Balance at end of period	$22,189,110	$22,892,961	$24,461,462

STATEMENTS OF CONSOLIDATED ADDITIONAL PAID-IN CAPITAL

	Year Ended September 30,		
	1966	1967	1968
Balance at beginning of period	$ 8,718,457	$ 8,790,581	$ 8,943,624
Excess of proceeds over par value of shares issued on exercise of stock options	69,352	153,043	25,380
Credit resulting from sale of optioned shares prior to minimum holding period (Note 5)	2,772	—	—
Balance at end of period	$ 8,790,581	$ 8,943,624	$ 8,969,004

See accompanying notes.

PIPER AIRCRAFT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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1. Consolidation

The consolidated statements include the Company's only subsidiary, a wholly-owned Swiss corporation, Piper Aircraft International S.A. The subsidiary's accounts were translated into U. S. dollars at the year-end rate of exchange except for capital stock which was translated at the actual rate of exchange on the date of payment. Non-current assets and liabilities were not significant. The net assets of the subsidiary as shown by its books exceed the Company's investment therein by $112,024, which amount is included in retained earnings in consolidation. All intercompany accounts and transactions were eliminated.

2. Inventories

Inventories used in the computation of cost of sales were as follows: September 30, 1965—$17,715,592; September 30, 1966—$28,871,251; September 30, 1967—$32,048,713; September 30, 1968—$32,228,273.

Inventories of purchased materials, parts and supplies are stated at the lower of cost (on the first-in, first-out method) or replacement market. Work in process, service parts and finished airplanes are stated at standards which approximate cost on the first-in, first-out method, reduced, when appropriate, to estimated selling price less selling expenses and a normal margin of profit.

3. Property, plant and equipment and accumulated depreciation

In general, the provision for depreciation of property, plant and equipment is computed by the straight-line method for assets acquired prior to January 1, 1954 and for used equipment acquired since that date, and is computed for other assets by the sum-of-the-year's digits or the double-declining balance methods.

Commencing in 1962 depreciation has been calculated on the composite account method under which the cost of property, plant and equipment sold or retired is removed from the asset accounts and such cost, less proceeds or salvage, is charged against accumulated depreciation.

The depreciation provision is based on the following estimated useful lives:

Land improvements	20 years
Improvements to leased property	Life of lease
Buildings and building equipment	25 to 40 years
Machinery and equipment	8 years
Tools, jigs and dies	3 years
Office equipment	10 years
Automobiles, trucks, etc.	3 to 3½ years

Expenditures for additions to plant facilities or which increase the life of the plant are capitalized. Expenditures for maintenance and repairs are charged to income when incurred.

Investment tax credits of $68,923 in 1966, $52,624 in 1967 and $72,896 in 1968 have been applied as a reduction of the provision for federal income tax.

4. Bonus and Pension Plans

The Company has trusteed and other retirement plans covering substantially all of its employees, under which the costs of benefits are currently funded. The cost of the plans, including amortization of past service costs over 10 years, amounted to $804,000 for 1966, $957,864 for 1967 and $1,004,975 for 1968. At September 30, 1968, unfunded past service costs approximated $866,392; the actuarially computed value of vested benefits at that date was fully provided.

Additional compensation under a bonus plan, based on annual corporate income (as defined), for salaried employees (including officers) amounted to $816,358 in fiscal year 1966. No amounts were payable with respect to fiscal 1967 and 1968 under such bonus plan.

5. Stock Option Plan

At September 30, 1968 there were reserved under a stock option plan approved by stockholders in 1962, 43,990 shares of common stock against which options were outstanding on 9,240 shares of which options on 3,040 shares were then exercisable. Options were granted in 1962 and 1964 at prices not less than 95% of the market price at the date the options were granted and in 1966 and 1968 at 100% of the market price at the date the options

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PIPER AIRCRAFT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

were granted. Options become exercisable in installments at each anniversary of the date of grant to the extent of 25% per year, cumulatively, as to options expiring 5 years after date of grant and 20% per year, cumulatively, as to options expiring 10 years after date of grant. A summary of pertinent information with respect to these stock options for the three years ended September 30, 1968 is presented below:

	Number of shares	Option Price		Market Price	
		Per share	Total	Per share	Total
Shares subject to option by fiscal year granted:					
1962	450	$14.55	$ 6,548	$15.30	$ 6,885 (a)
1964	1,590	23.90	38,001	25.14	39,973 (a)
1966	3,100	49.75	154,225	49.75	154,225 (a)
1968	4,100	48.60	199,260	48.60	199,260 (a)
	9,240		$398,034		$400,343
Options which became exercisable during fiscal year:					
1966	8,933	$14.55-$23.90	$144,016	$50.56-$60.19	$533,324 (b)
1967	5,570	14.55- 49.75	118,691	37.94- 52.12	270,750 (b)
1968	1,275	23.90- 49.75	51,799	$46.56	59,364 (b)
Options exercised during fiscal year:					
1966	5,020	$14.55-$23.90	$ 74,372	$43.00-$67.50	$261,490 (c)
1967	10,300	14.55- 23.90	163,343	37.94- 54.19	521,403 (c)
1968	1,250	14.55- 49.75	26,630	46.37- 69.25	65,662 (c)

(a) At dates options were granted.

(b) At dates options became exercisable.

(c) At dates options were exercised.

Upon exercise of the options, the proceeds are credited to common stock, to the extent of par value, and additional paid-in capital. No charges were made against income in accounting for the options except in the case of shares sold in the year ended September 30, 1966 prior to the minimum holding period which resulted in a charge of $2,772 to compensation and a like credit to additional paid-in capital.

6. Retained Earnings

Under the March 17, 1967 agreement relating to the 5⅛% notes due 1975-1984, the aggregate of cash dividends (and certain other defined payments) after September 30, 1966 may not exceed consolidated net income (as defined) since that date by more than $4,000,000; approximately $6,200,000 of retained earnings at September 30, 1968 was not so restricted.

7. Foreign Operations

Sales to distributors and dealers located outside the United States accounted for approximately 25% of 1968 sales. At September 30, 1968, $3,700,000 of accounts and notes receivable were due from such customers. Inventories outside the United States (principally in Switzerland) approximated $1,650,000 at September 30, 1968.

PIPER AIRCRAFT CORPORATION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

8. Supplementary Profit and Loss Information

	Charged directly to income		
	Cost of sales	Other	Total
Year ended September 30, 1966:			
Maintenance and repairs	$ 915,838	$ 24,553	$ 940,391
Depreciation	$ 846,538	$ 88,295	$ 934,833
Taxes (other than taxes on income):			
Payroll	$ 784,909	$ 83,025	$ 867,034
Property	108,111	—	108,111
Other corporate	—	17,673	17,673
	$ 892,120	$100,698	$ 992,818
Rents	$ 97,010	$ 30,803	$ 127,813
Year ended September 30, 1967:			
Maintenance and repairs	$ 914,670	$ 31,221	$ 945,891
Depreciation	$1,464,671	$ 97,628	$1,562,299
Taxes (other than taxes on income):			
Payroll	$1,176,823	$107,178	$1,284,001
Property	72,428	—	72,428
Other corporate	—	12,439	12,439
	$1,249,251	$119,617	$1,368,868
Rents	$ 126,581	$ 28,896	$ 155,477
Year ended September 30, 1968:			
Maintenance and repairs	$1,118,634	$ 24,140	$1,142,774
Depreciation	$1,574,218	$112,928	$1,687,146
Taxes (other than taxes on income):			
Payroll	$1,223,129	$119,871	$1,343,000
Property	168,655	—	168,655
Other corporate	—	27,744	27,744
	$1,391,784	$147,615	$1,539,399
Rents	$ 236,372	$ 54,988	$ 291,360

Service contract fees and royalties paid were not significant and there were no management fees paid.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 22. ***Marketing Arrangements.***

The Registrant knows of no arrangements made to limit or restrict the sale of other securities of the same class as those to be offered, for any period, except as set forth in Section of the Soliciting Dealer Agreement, to be filed as Exhibit 1(A) hereto, nor to stabilize the market therefor. There is no arrangement with any underwriter or dealer for any remuneration of any nature except as set forth in Exhibit 1(A) and on the cover page of the Prospectus.

Item 23. ***Other Expenses of Issuance and Distribution.***

The following is an itemized statement of the estimated amount of all expenses of the Registrant in connection with the issuance and distribution of the securities being registered:

Registration fee	$ 6,800
Exchange Agent's fees and expenses	
Dealer Manager's fees and expenses	
Printing and engraving	
Transfer taxes	
Legal fees and expenses	
New York and American Stock Exchange listing fees	
Accounting fees	
Blue Sky fees and expenses	
Miscellaneous	
Total	$

Item 24. ***Relationship with Registrant of Experts Named in Registration Statement.***

None.

Item 25. ***Sales to Special Parties.***

Incorporated by reference to Item 25 of Registrant's Registration Statement No. 2-30627, except that the following transactions are added thereto:

Between October 22, 1968, and February 3, 1969, the Registrant issued an aggregate of 3,225 shares of its $1.40 Convertible Preferred Stock, $1 par value, to certain employees upon the exercise of stock options granted or assumed by the Registrant. For further information with respect to the stock options granted or assumed by the Registrant see "Employee Stock Option, Stock Purchase and Profit Sharing Plans" in the Prospectus and Note (7) to "Notes to Consolidated Financial Statements" of Registrant in the Prospectus.

Item 26. ***Recent Sales of Unregistered Securities.***

Incorporated by reference to Item 26 of Registrant's Registration Statement No. 2-30627, except that the following transactions are added thereto:

Between October 22, 1968, and February 3, 1969, the Registrant issued an aggregate of 3,225 shares of its $1.40 Convertible Preferred Stock, $1 par value, to certain employees upon the exercise of stock options granted or assumed by the Registrant. For further information with respect to the stock options granted or assumed by the Registrant, see "Employee Stock Option, Stock Purchase and Profit Sharing Plans" in the Prospectus and Note (7) to "Notes to Consolidated Financial Statements" of Registrant in the Prospectus. The issuance of shares of Common Stock and $1.40 Convertible Preferred Stock upon the exercise of such stock options was exempted from registration under the Securities Act of 1933 pursuant to Section 4(2) of the Act.

Item 27. ***Subsidiaries of Registrant.***

Incorporated by reference to Item 27 of Registrant's Registration Statement No. 2-30627.

Item 28. ***Franchises and Concessions.***

None.

Item 29. ***Indemnification of Directors and Officers.***

Incorporated by reference to Item 29 of Registrant's Registration Statement No. 2-30627.

Item 30. ***Treatment of Proceeds from Stock Being Registered.***

Not applicable.

Item 31. ***Financial Statements and Exhibits.***

(a) Financial Statements:

(1) Included in Prospectus:

Chris-Craft Industries, Inc. and Subsidiaries—

Statements of Consolidated Income for the five years and eight months ended August 31, 1968 and (unaudited) the eight months ended August 31, 1967

Reports of Independent Public Accountants

Consolidated Balance Sheet—August 31, 1968

Statements of Consolidated Capital Surplus for the three years and eight months ended August 31, 1968

Statements of Consolidated Retained Earnings for the three years and eight months ended August 31, 1968

Notes to Consolidated Financial Statements

Individual financial statements of the Registrant are omitted because the Registrant is primarily an operating company and subsidiaries included in the consolidated financial statements are totally-held subsidiaries.

Montrose Chemical Corporation of California—

Report of Independent Certified Public Accountants

Balance Sheets—June 30, 1968 and (unaudited) December 31, 1968

Statements of Income and Retained Earnings for the five years ended June 30, 1968 and (unaudited) the six months ended December 31, 1967 and 1968

Notes to Financial Statements

Piper Aircraft Corporation and Subsidiary—

Statements of Consolidated Income for the five years ended September 30, 1968

Consolidated Balance Sheet—September 30, 1968

Statements of Consolidated Retained Earnings and Additional Paid-In Capital for the three years ended September 30, 1968

Notes to Consolidated Financial Statements

The consolidated financial statements and related notes of Piper Aircraft Corporation and subsidiary which are included in the Registration Statement and Prospectus have been taken from Piper's Annual Reports on Form 10-K filed with the Securities and Exchange Commission under the Securities Act of 1934. In this regard it should be noted that the Securities and Exchange Commission does not approve or disapprove, or pass upon the accuracy or adequacy of information filed with it. Chris-Craft cannot warrant the accuracy or completeness of the information concerning Piper contained herein or that events, unknown to Chris-Craft, have not occurred which would affect the significance or accuracy of such information.

(2) Schedules Included in Part II:

Chris-Craft Industries, Inc. and Subsidiaries—

The required schedules of Chris-Craft Industries, Inc. and subsidiaries for the three years and eight months ended August 31, 1968, together with the applicable report of independent public accountants, are included in Chris-Craft's Form S-1 Registration Statement (Registration No. 2-30627) and are incorporated herein by reference.

Montrose Chemical Corporation of California—

Six months ended December 31, 1968 (unaudited)

V —Property, Plant and Equipment

VI—Accumulated Depreciation and Amortization of Property, Plant and Equipment

All other schedules are omitted because they are not required or the information is included in the financial statements or notes thereto.

The required schedules for the year ended June 30, 1968, are included in Chris-Craft's Form S-1 Registration Statement (Registration No. 2-30627) and are incorporated herein by reference. The required schedules for the years ended June 30, 1967 and 1966 are included in the Registrant's Form 10-K Annual Reports and are incorporated herein by reference.

Piper Aircraft Corporation and Subsidiary—

Three years ended September 30, 1968

V —Property, Plant and Equipment

VI—Accumulated Depreciation of Property, Plant and Equipment

XII—Reserves

The above schedules of Piper Aircraft Corporation and subsidiary have been taken from Piper's Annual Reports on Form 10-K filed with the Securities and Exchange Commission under the Securities Act of 1934. In this regard it should be noted that the Securities and Exchange Commission does not approve or disapprove, or pass upon the accuracy or adequacy of, information filed with it. Chris-Craft cannot warrant the accuracy or completeness of the information concerning Piper contained herein or that events, unknown to Chris-Craft, have not occurred which would affect the significance or accuracy of such information.

(b) Exhibits

1(A) —Form of Dealer Managers Agreement, including the form of Soliciting Dealer Agreement. (To be filed by amendment.)

1(B) —Form of Agreement with Exchange Agent, including Letter of Tender to Piper stockholders. (To be filed by amendment.)

3(A)* —Restated Certificate of Incorporation of the Registrant.

3(B)* —By-laws of the Registrant incorporated by reference to Exhibit II to the Proxy Statement dated May 15, 1968 of the Registrant (File No. 1-2999).

3(C)* —Amendment to By-laws.

3(D) —Certificate of Amendment of Restated Certificate of Incorporation dated as of April , 1969. (In preliminary form.)

3(E) —Certificate of the designations, preferences, and relative, participating, optional or other special rights of the Preferred Stock, $ Convertible Series of 1969, par value $1 per share, of Chris-Craft Industries, Inc., and the qualifications, limitations or restrictions thereof, which have not been set forth in the Restated Certificate of Incorporation. (In preliminary form.)

4(A) —Form of Warrant Agreement dated as of March 31, 1969, between Registrant and , including the form of Warrant. (In preliminary form.)

*Incorporated by reference to Registrant's Registration Statement No. 2-30627.

4(B) —Form of 5¼% Promissory Note due December 15, 1984 (included in Exhibit 4(K) as Exhibit A). (Incorporated by reference to Exhibit 4(C) filed with Registrant's Registration Statement No. 2-30627.)

4(C) —Form of Indenture dated as of December 15, 1968, between the Registrant and The Chase Manhattan Bank (National Association). (Incorporated by reference to Exhibit 4(H) filed with Registrant's Registration Statement No. 2-30627.)

4(D) —Form of Indenture dated as of October 1, 1962, between Baldwin-Montrose Chemical Company, Incorporated and Chemical Bank of New York Trust Company. (Incorporated by reference to Exhibit 4.1 to Registration Statement No. 2-20722.)

4(E) —Specimen Certificate for the Common Stock of Registrant. (Incorporated by reference to Exhibit 4(J) filed with Registrant's Registration Statement No. 2-30627.)

4(F) —Composite conformed copy of Note Purchase Agreements dated December 20, 1965, as to 5¼% Promissory Notes due December 15, 1984. (Incorporated by reference to Exhibit 4(K) filed with Registrant's Registration Statement No. 2-30627.)

4(G) —Form of letter dated September 7, 1966, amending Note Purchase Agreement dated December 20, 1965. (Incorporated by reference to Exhibit 4(L) filed with Registrant's Registration Statement No. 2-30627.)

4(H) —Form of letter dated May 23, 1967, amending Note Purchase Agreement dated December 20, 1965. (Incorporated by reference to Exhibit 4(M) filed with Registrant's Registration Statement No. 2-30627.)

4(I) —Form of letter dated October 22, 1968, amending Note Purchase Agreement dated December 20, 1965. (Incorporated by reference to Exhibit 4(N) filed with Registrant's Registration Statement No. 2-30627.)

4(J) —Form of letter dated October 22, 1968, amending and waiving certain of the provisions of Note Purchase Agreement dated December 20, 1965. (Incorporated by reference to Exhibit 4(O) filed with Registrant's Registration Statement No. 2-30627.)

5(A) —Employees' Stock Option Plan of Registrant. (Incorporated by reference to Exhibit III to the Proxy Statement dated May 15, 1968 of the Registrant, File No. 1-2999.)

5(B)* —Employees' Stock Purchase Plan of the Registrant.

5(C)* —Amendment dated June 6, 1968 to Employees' Stock Purchase Plan of the Registrant.

5(D) —Trust Agreement relating to the Employees' Stock Purchase Plan of Baldwin-Montrose Chemical Company, Incorporated. (Incorporated by reference to Exhibit 10(i) to Registration Statement No. 2-18452.)

5(E)* —Supplemental Trust Agreement dated June 6, 1968, under the Employees' Stock Purchase Plan.

5(F) —Form of 1961 Warrant. (Incorporated by reference to Exhibit (C) to Form 8-K for the month of October, 1961, Docket No. 1-2999-2.)

6 —Form of proposed Opinion of Messrs. Cravath, Swaine & Moore (To be filed by amendment.)

9 —Form of proposed Opinion of Messrs. Cravath, Swaine & Moore (To be filed by amendment.)

11(A)* —Employees Retirement Plan of Mono-Sol Division of Baldwin-Montrose Chemical Company, Incorporated and Amendment of the Baldwin Pension Trust. (Incorporated by reference to Exhibit 10(i) to Registration Statement No. 2-18542.)

11(B) —Chris-Craft Salaried Employees' Retirement Plan with two Amendments. (Incorporated by reference to Exhibit 11-A to Registration Statement No. 2-16248.)

11(C)* —Third Amendment to Chris-Craft Salaried Employees' Retirement Plan.

11(D)* —Fourth Amendment to Chris-Craft Salaried Employees' Retirement Plan.

11(E)* —Fifth Amendment to Chris-Craft Salaried Employees' Retirement Plan.

[illegible] Registrant's Registration Statement No. 2-30627.

11(F)* —Sixth Amendment to Chris-Craft Salaried Employees' Retirement Plan.

11(G)* —Seventh Amendment to Chris-Craft Salaried Employees' Retirement Plan.

11(H)* —Eighth Amendment to Chris-Craft Salaried Employees' Retirement Plan.

11(I)* —Ninth Amendment to Chris-Craft Salaried Employees' Retirement Plan.

11(J)* —Tenth Amendment to Chris-Craft Salaried Employees' Retirement Plan.

11(K)* —Amendment dated December 23, 1964, to Amended Trust Agreement relating to Chris-Craft Salaried Employees' Retirement Plan.

11(L)* —Amendment dated March 17, 1965, to Amended Trust Agreement relating to Chris-Craft Salaried Employees' Retirement Plan.

11(M)* —Chris-Craft Corporation Retirement Plan for Salaried Employees (Boat Division).

11(N)* —Amendments to Chris-Craft Corporation Retirement Plan for Salaried Employees (Boat Division).

11(O)* —Trust Agreement relating to Chris-Craft Corporation Retirement Plan for Salaried Employees (Boat Division).

11(P)* —Profit Sharing Plan of the Registrant.

11(Q)* —Amendments dated June 19, 1968 to Profit Sharing Plan of the Registrant.

11(R)* —Second Amendment dated August 6, 1968 to Profit Sharing Plan of the Registrant.

11(S) —Trust Agreement under the Profit Sharing Plan of Baldwin-Montrose Chemical Company, Incorporated. (Incorporated by reference to Exhibit 5(D) to Registration Statement No. 2-23151.)

11(T)* —Supplemental Trust Agreement dated June 19, 1968 under the Profit Sharing Plan.

13(A)* —Contract dated September 30, 1943, between Montrose Chemical Company and R. W. Greeff & Co.

13(B)* —Contract dated August 15, 1946 between Montrose Chemical Company and Stauffer Chemical Company.

13(C)* —Supplement dated February 20, 1947, to Agreement dated August 15, 1946, between Montrose Chemical Company and Stauffer Chemical Company.

13(D)* —Second Supplement dated May 15, 1947, to Agreement dated August 15, 1946, between Montrose Chemical Company and Stauffer Chemical Company.

13(E)* —Modification Agreement dated July 16, 1947, between Montrose Chemical Company and Stauffer Chemical Company.

13(F)* —Second Modification Agreement dated July 1, 1948, between Montrose Chemical Company and Stauffer Chemical Company.

13(G)* —Third Modification Agreement dated January 15, 1951, between Montrose Chemical Company and Stauffer Chemical Company.

13(H)* —Agreement dated February 20, 1947, between Montrose Chemical Company and Stauffer Chemical Company.

13(I)* —Employment Agreement dated June 27, 1961, between Baldwin-Montrose Chemical Company, Incorporated and James J. Rochlis.

13(J)* —Employment Agreement dated September 25, 1968, between Registrant and Alfred L. Hollender.

13(K)* —Employment Agreement dated June 24, 1968, between Registrant and John Hopkins.

13(L)* —Agreement dated January 1, 1968, between Registrant and Cornelius Shields.

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*Incorporated by reference to Registrant's Registration Statement No. 2-30627.

UNDERTAKINGS

Subject to the terms and conditions of Section 15(d) of the Securities Exchange Act of 1934, the undersigned Registrant hereby undertakes to file with the Securities and Exchange Commission such supplementary and periodic information, documents and reports as may be prescribed by any rule or regulation of the Commission heretofore or hereafter duly adopted pursuant to authority conferred in that section.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, and State of New York, on the 27th day of February, 1969.

CHRIS-CRAFT INDUSTRIES, INC.
(Registrant)

By C. LEONARD GORDON
C. Leonard Gordon
Vice President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below on the 27th day of February, 1969, by the following persons in the capacities indicated.

Signature	Title
(a) Principal Executive Officer:	
Herbert J. Siegel	Chairman of the Board and President
(b) Principal Financial and Accounting Officer:	
Winslow Maxwell	Vice President and Controller
(c) Directors:	
Herbert J. Siegel	Chairman of the Board and Director
Lawrence R. Barnett	Director
Harry H. Coll	Director
Armand G. Erpf	Director
Louis C. Goad	Director
C. Leonard Gordon	Director
Alfred L. Hollender	Director
Robert B. Hunter	Director
David F. Linowes	Director
James J. Rochlis	Director
Alvin R. Rozelle	Director
H. V. Sherrill	Director

By C. LEONARD GORDON
C. Leonard Gordon
Attorney-in-Fact

*An original power of attorney, authorizing each of Herbert J. Siegel, James J. Rochlis, C. Leonard Gordon and Samuel C. Butler to sign the Registration Statement and amendments thereto on behalf of Chris-Craft Industries, Inc., and its above-named directors and officers, has been filed with the Securities and Exchange Commission.

CONSENT OF ARTHUR ANDERSEN & CO.

As independent public accountants, we hereby consent to the use of our reports dated October 22, 1968, which appear or are incorporated by reference in this Registration Statement and to all references to our Firm included in or made part of this Registration Statement.

ARTHUR ANDERSEN & Co.

New York, N. Y.,
February 27, 1969.

CONSENT OF TOUCHE, ROSS, BAILEY & SMART

We consent to the use in the Registration Statement and Prospectus of Chris-Craft Industries, Inc. relating to the Exchange Offer to Holders of Common Stock of Piper Aircraft Corporation of our report dated February 16, 1968, accompanying the financial statements included in such Registration Statement and to the incorporation by reference of our report dated December 10, 1968 included in the Registration Statement on Form S-1 (Registration No. 2-30627) of Chris-Craft Industries, Inc., and to the use of our name, and the statement with respect to us, appearing under the heading "Experts" in the Prospectus.

TOUCHE, ROSS, BAILEY & SMART

San Francisco, California
February 27, 1969.

CONSENT OF HASKINS & SELLS AND REPORT ON SCHEDULES

We hereby consent to the use in this Registration Statement, which is being filed with the Securities and Exchange Commission by Chris-Craft Industries, Inc., of our opinion dated August 7, 1968, relating to the financial statements of Montrose Chemical Corporation of California appearing in the Prospectus which is part of such Registration Statement, and to the reference to us under the heading "Experts" in the Prospectus.

We also consent to our opinion referred to above being considered as comprehending our opinion that financial schedules V and VI of Montrose Chemical Corporation of California for the three years ended June 30, 1968 (which are not presented separately herein but which are incorporated by reference at Item 31 (a) (2)), when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

HASKINS & SELLS

Los Angeles, California
February 27, 1969.

CONSENT OF COUNSEL

The consent of Messrs. Cravath, Swaine & Moore will be included in their opinion filed as an exhibit hereto. The consents of Messrs. Hogan & Hartson, Messrs. Marshall, Bratter, Greene, Allison & Tucker, Messrs. Cohen, Shapiro, Berger, Polisher & Cohen and Messrs. Orr, Heuring & Wendel will be filed by amendment.

SCHEDULE V

MONTROSE CHEMICAL CORPORATION OF CALIFORNIA

PROPERTY, PLANT AND EQUIPMENT

For the Six Months Ended December 31, 1968
(Unaudited)

Description	Balance July 1, 1968	Additions at Cost	Retirements or Sales	Balance December 31, 1968
Plant, structures and equipment	$2,424,813	$ 268,287	$ 42,690	$2,650,410
Automotive equipment	10,473	—	—	10,473
Office furniture and equipment	21,706	4,492	—	26,198
Construction work in progress	115,084	—	31,712*	83,372
	$2,572,076	$ 272,779	$ 74,402	$2,770,453

*This amount represents the excess of the transfers to other accounts for construction work completed over the charges to construction work in progress during the period.

SCHEDULE VI

MONTROSE CHEMICAL CORPORATION OF CALIFORNIA

ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

For the Six Months Ended December 31, 1968
(Unaudited)

Description	Balance July 1, 1968	Additions—Charged to Profit and Loss or Income	Deductions—Retirements, Renewals and Replacements	Balance December 31, 1968
Plant, structures and equipment	$833,660	$140,560	$ 14,832	$959,388
Automotive equipment	3,618	1,638	—	5,256
Office furniture equipment	13,730	1,266	—	14,996
	$851,008	$143,464	$ 14,832	$979,640

SCHEDULE V

PIPER AIRCRAFT CORPORATION

PROPERTY, PLANT AND EQUIPMENT

Classification	Balance at beginning of period	Additions at cost	Retirements or sales	Balance at close of period
Year ended September 30, 1966:				
Land	$ 339,878	$ 4,440	$ —	$ 344,318
Land improvements	—	106,360	—	106,360
Improvements to leased property	258,338	4,693	—	263,031
Buildings and building equipment	6,496,764	2,619,128	4,881	9,111,011
Machinery and equipment	2,624,452	768,189	11,064(*)	3.381,577
Tools, jigs and dies	556,557	629,466	113,110	1,072,913
Office equipment	544,419	142,758	28,308	658,869
Automobiles, trucks, etc.	108,278	16,912	8,521	116,669
	$10,928,686	$4,291,946	$165,884	$15,054,748
Year ended September 30, 1967:				
Land	$ 344,318	$ 10,817	$ —	$ 355,135
Land improvements	106,360	60,840	—	167,200
Improvements to leased property	263,031	4,119	—	267,150
Buildings and building equipment	9,111,011	2,023,895	5,000	11,129,906
Machinery and equipment	3,381,577	723,831	30,471(*)	4,074,937
Tools, jigs and dies	1,072,913	771,327	154,839	1,689,401
Office equipment	658,869	116,701	8,398	767,172
Automobiles, trucks, etc.	116,669	2,317	1,853	117,133
	$15,054,748	$3,713,847	$200,561	$18,568,034
Year ended September 30, 1968:				
Land	$ 355,135	$ 53,600	$ —	$ 408,735
Land improvements	167,200	203,061	—	370,261
Improvements to leased property	267,150	37,337	—	304,487
Buildings and building equipment	11,129,906	440,995	77,620	11,493,281
Machinery and equipment	4,074,937	636,071	13,513(*)	4,697,495
Tools, jigs and dies	1,689,401	701,668	278,060	2,113,009
Office equipment	767,172	202,515	7,315	962,372
Automobiles, trucks, etc.	117,133	37,391	—	154,524
	$18,568,034	$2,312,638	$376,508	$20,504,164

(*) Includes $11,064, $11,064 and $11,057 amortization of electronics development costs in the years ended September 30, 1966, 1967 and 1968, respectively, which is included in depreciation expense.

PIPER AIRCRAFT CORPORATION

ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Classification	Balance at beginning of period	Additions charged to income	Retirements or sales	Balance at close of period
Year ended September 30, 1966:				
Land improvements	$ —	$ —	$ —	$ —
Improvements to leased property	101,730	35,420	—	137,150
Buildings and building equipment	2,125,548	282,449	4,856	2,403,141
Machinery and equipment	1,932,998	317,678	2,000	2,248,676
Tools, jigs and dies	291,302	218,257	113,110	396,449
Office equipment	379,729	52,875	26,667	405,937
Automobiles, trucks, etc.	88,553	17,090	8,463	97,180
	$4,919,860	$ 923,769	$ 155,096	$5,688,533
Year ended September 30, 1967:				
Land improvements	$ —	$ 11,400	$ —	$ 11,400
Improvements to leased property	137,150	30,283	—	167,433
Buildings and building equipment	2,403,141	495,646	3,979	2,894,808
Machinery and equipment	2,248,676	399,867	18,657	2,629,886
Tools, jigs and dies	396,449	533,966	154,839	775,576
Office equipment	405,937	66,926	5,729	467,134
Automobile, trucks, etc.	97,180	13,147	1,670	108,657
	$5,688,533	$1,551,235	$ 184,874	$7,054,894
Year ended September 30, 1968:				
Land improvements	$ 11,400	$ 16,477	$ —	$ 27,877
Improvements to leased property	167,433	28,646	—	196,079
Buildings and building equipment	2,894,808	566,997	273	3,461,532
Machinery and equipment	2,629,886	355,978	2,456	2,983,408
Tools, jigs and dies	775,576	617,654	278,060	1,115,170
Office equipment	467,134	83,863	6,715	544,282
Automobiles, trucks, etc.	108,657	6,474	1,484	113,647
	$7,054,894	$1,676,089	$ 288,988	$8,441,995

SCHEDULE XII

PIPER AIRCRAFT CORPORATION

RESERVES

	Balance at beginning of period	Additions charged to income	Amounts written off during the year	Balance at close of period
Year ended September 30, 1966: Not included in Form 10-K of Piper Aircraft Corporation.				
Year ended September 30, 1967: Allowance for doubtful accounts	$162,000	$ 57,000	$ —	$219,000
Year ended September 30, 1968: Allowance for doubtful accounts	$219,000	$421,375	$ 25,375	$615,000

PLAINTIFF'S
EXHIBIT 77E

EXCERPTS

CHRIS-CRAFT PROSPECTUS

MAY 19, 1969

(4) Extraordinary items and the related Federal income taxes or credits represent: (a) loss in 1963 on disposal of Baldwin Rubber Division's assets of $1,429,000 after tax credit of $460,000; (b) income tax reductions of $880,000 in 1964 and $135,000 in 1965 resulting from operating loss carryforwards; (c) gain in 1965 on sale of 50 per cent interest in Montrose International, S. A. of $301,000 after taxes of $140,000; (d) loss in 1965 on sale of 70 per cent interest in General Artists Corporation of $222,000 after tax credit of $50,000; (e) gain in April, 1966 on sale of common stock of Paramount Pictures Corporation of $1,415,000 after taxes of $330,000; (f) loss in December, 1966 on liquidation of investment in Cyclamate Corporation of America of $453,000 after tax credit of $223,000; (g) gain in May, 1967 on involuntary conversion, representing the excess of insurance proceeds over net book value of buildings and equipment destroyed by an explosion, of $252,000 after deferred taxes of $233,000; (h) gain in June, 1967 on sale of patent and related know-how of $187,000 after taxes of $63,000; and (i) gains in the six months ended February 28, 1969 on sales of marketable securities of $188,000 after taxes of $154,000.

On January 10, 1969, Chris-Craft purchased 200,000 shares of Common Stock (approximately 11.5% of the outstanding shares) of Hemisphere Hotels Corporation, formerly Carl G. Fisher Corporation ("Hemisphere"), at a purchase price of $7.00 per share. Hemisphere operates the Coral Harbour Club at Nassau in the Bahamas. The agreement provides, among other things, for a five-year Chris-Craft boat dealer franchise to Hemisphere in the Bahamas with certain rights in other areas of the Caribbean. The Agreement also provides that a principal purpose of the transaction is to provide for the creation by Hemisphere of a hotel, all or a substantial part of the living facilities of which will be Chris-Craft and non-cruising houseboats. Hemisphere will dredge and create docking and shore facilities for approximately 150 cruising and non-cruising houseboats, together with an installation for servicing the houseboats with dining rooms, stores and recreational and other facilities.

CHRIS-CRAFT INDUSTRIES, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Note 1)
(In thousands)

ASSETS

	August 31, 1968	February 28, 1969 (Unaudited)
CURRENT ASSETS:		
Cash, including certificates of deposit of $7,600 at August 31, 1968	$ 12,208	$ 10,260
Marketable securities, at cost (quoted market $2,251 at August 31, 1968 and $4,375 at February 28, 1969)	2,537	3,951
Accounts receivable, less allowance for doubtful accounts of $210 at August 31, 1968 and $300 at February 28, 1969	7,504	11,063
Inventories, at the lower of cost, principally first-in, first-out, or market (Note 2)	19,772	23,173
Film contract rights	3,046	3,176
Prepaid expenses, etc.	1,230	1,519
Total current assets	$ 46,297	$ 53,142
INVESTMENTS—At Cost:		
Piper Aircraft Corporation	$ —	$ 34,677
Montrose Chemical Corporation of California, 50% Interest (Note 1)	9,603	9,603
Hemisphere Hotels Corporation	—	1,400
	$ 9,603	$ 45,680
FILM CONTRACT RIGHTS, less estimated portion to be used within one year	$ 6,213	$ 5,395
PROPERTY, PLANT AND EQUIPMENT—At cost (Note 3):		
Land, buildings and improvements	$ 15,925	15,938
Machinery and equipment	18,455	18,975
	$ 34,380	$ 34,913
Less—Accumulated depreciation	15,076	15,823
	$ 19,304	$ 19,090
INTANGIBLE ASSETS (Note 4)	$ 27,572	$ 27,545
OTHER ASSETS:		
Receivables due after one year	$ 396	214
Deferred debt expense	238	578
Miscellaneous	483	1,159
	$ 1,117	$ 1,951
	$110,106	$152,803

The accompanying notes to consolidated financial statements are an integral part of these statements.

CHRIS-CRAFT INDUSTRIES, INC.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Note 1)
(In thousands)

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	August 31, 1968	February 28, 1969 (Unaudited)
CURRENT LIABILITIES:		
Bank loan (Note 10)	$ —	$ 15,000
Current portion of long-term debt	1,386	1,700
Accounts payable	5,381	6,596
Dividends payable	510	553
Accrued expenses—		
Payroll	904	1,595
Taxes other than Federal income taxes	692	587
Interest	278	634
Other	1,060	669
Federal income taxes	3,470	4,604
Film contracts payable within one year	2,995	3,202
Total current liabilities	$ 16,676	$ 35,140
LONG-TERM DEBT (Notes 5 and 6):		
6% convertible subordinated debentures	$ —	$ 25,722
5¾% promissory notes	17,900	16,000
7% subordinated debentures	3,780	3,780
Other notes payable	445	458
	$ 22,125	$ 45,960
FILM CONTRACTS PAYABLE AFTER ONE YEAR	$ 3,695	$ 3,401
DEFERRED FEDERAL INCOME TAXES	$ 996	$ 982
STOCKHOLDERS' INVESTMENT (Notes 6 and 7):		
Cumulative convertible preferred stock—		
Prior preferred stock—$1 dividend, stated at liquidating value of $21.50 per share, authorized 257,481 shares; outstanding 251,946 shares and 205,246 convertible, until June 1, 1971	$ 5,417	$ 4,413
Convertible preferred stock—$1.40 dividend ($1.20 stock—$.20 cash through March 31, 1973; thereafter $1.40 cash; convertible on and after October 1, 1968), at stated value of $17.50 per share, liquidating value $23 per share, aggregating $19,762 at August 31, 1968 and $15,444 at February 28, 1969, par value $1 per share for shares issued —authorized 2,000,000 shares, outstanding 859,197 and 671,470 shares	15,036	11,751
Common stock—authorized 15,000,000 shares, issued 2,711,714 and 3,132,984 shares—at stated capital amount	2,147	2,357
Capital surplus	23,689	27,762
Retained earnings (Note 5)	20,325	21,037
	$ 66,614	$ 67,320
COMMITMENTS AND CONTINGENT LIABILITIES		
	$110,106	$152,803

The accompanying notes to consolidated financial statements are an integral part of these statements.

CHRIS-CRAFT INDUSTRIES, INC.
AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED CAPITAL SURPLUS (Note 1)

(In thousands)

	Year Ended December 31,			Eight Months Ended August 31, 1968	Six Months Ended February 28, 1969
	1965	1966	1967		(Unaudited)
Balance at beginning of period	$14,411	$16,271	$19,293	$26,560	$23,689
Add (Deduct):					
Excess of market value over par value of stock dividends:					
5% common	1,665	1,709	—	—	—
$.60 preferred	—	—	—	232	234
Excess of proceeds over par or stated value of shares issued under stock option plans	12	226	154	40	17
Excess of principal amount of debentures converted over par value of capital stock issued on conversion, less debt discount and expense and cash adjustments	—	—	1,532	6,625	1
Excess of stated value of preferred stock converted over value of common stock issued on conversion	—	—	—	—	3,783
Retirement of treasury stock (1,465,038 shares)	—	—	—	(11,921)	—
Transactions of Baldwin-Montrose prior to pooling of interests:					
Payment of stock dividends	—	383	803	—	—
Excess of principal amount of debentures converted over par value of capital stock issued on conversion, less debt discount and expense and cash adjustments	—	—	4,627	2,035	—
Miscellaneous	183	704	151	424	—
Expenses of pooling of interests	—	—	—	(314)	—
Miscellaneous	—	—	—	8	38
Balance at end of period	$16,271	$19,293	$26,560	$23,689	$27,762

The accompanying notes to consolidated financial statements are an integral part of these statements.

CHRIS-CRAFT INDUSTRIES, INC.

AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED RETAINED EARNINGS (Note 1)

(In thousands)

	Year Ended December 31,			Eight Months Ended August 31,	Six Months Ended February 28,
	1965	1966	1967	1968	1969
					(Unaudited)
Balance at beginning of period	$21,840	$24,262	$26,264	$27,382	$20,325
Add—Net income	4,614	4,965	3,980	2,211	2,038
Deduct:					
Dividends of the Company					
Prior preferred stock					
Cash 1968—$.25, 1969—$.50	—	—	—	64	110
Convertible preferred stock					
Cash 1968—$.10, 1969—$.10	—	—	—	146	106
Stock 1968—$.60, 1969—$.60	—	—	—	446	359
Common stock					
Cash 1966—$.12½, 1967—$.65, 1968—$.37½, 1969—$.25	—	372	1,639	884	751
Stock 1965—5%, 1966—5%	1,760	1,803	—	—	—
Dividends of Baldwin-Montrose prior to pooling of interests					
Cash	432	384	382	128	—
Stock	—	404	841	—	—
Retirement of treasury stock (1,465,038 shares)	—	—	—	7,600	—
Balance at end of period	$24,262	$26,264	$27,382	$20,325	$21,037

The accompanying notes to consolidated financial statements are an integral part of these statements.

CHRIS-CRAFT INDUSTRIES, INC.

AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Including Notes Applicable to Period Not Examined by Independent Public Accountants)

(1) PRINCIPLES OF CONSOLIDATION:

(a) *Change in Fiscal Year—*
In 1968, the Company changed its fiscal year from December 31 to August 31.

(b) *Pooling of Interests—*
In June 1968, Baldwin-Montrose Chemical Company, Incorporated and wholly-owned subsidiaries were merged with and into the Company pursuant to a plan and agreement of merger whereby 702,263 shares of $1.40 Convertible Preferred Stock were issued to Baldwin-Montrose common shareholders. This merger has been accounted for as a pooling of interests and the consolidated financial statements have been restated retroactively.

(c) *Subsidiaries Included in the Consolidated Financial Statements—*
The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. Accounts of foreign subsidiaries were converted at the applicable rates of exchange in effect at August 31, 1968 and February 28, 1969. The Company's equity in net assets of its subsidiaries exceeds its investment in the consolidated subsidiaries by $4,342,278 at August 31, 1968 and $5,407,235 at February 28, 1969. These amounts represent the following:

	August 31, 1968	February 28, 1969
Equity in net undistributed earnings of consolidated subsidiaries, since acquisitions (included in retained earnings)	$8,406,178	$9,471,135
Property, plant and equipment	(189,787)	(189,787)
Intangible assets	(3,874,113)	(3,874,113)
	$4,342,278	$5,407,235

(d) *Investment in 50% Owned Company—*
The Company's investment in Montrose Chemical Corporation of California, which is 50% owned by the Company, amounted to $9,603,231 at August 31, 1968 and February 28, 1969. The carrying value of this investment was $8,125,565 in excess of the underlying book value of $1,477,666 at August 31, 1968, $8,020,085 in excess of its underlying book value of $1,583,146 at February 28, 1969, and $9,601,981 in excess of its tax basis. The Company follows the policy of recording dividends as received rather than its 50 per cent equity in net income. Reference is made to the financial statements of Montrose California included elsewhere in this Prospectus.

(2) INVENTORIES:

The opening and closing inventories used in the computation of cost of goods sold are as follows:

January 1, 1965	$15,406,564
December 31, 1965	$17,370,017
December 31, 1966	$22,052,410
December 31, 1967	$21,031,050
August 31, 1968:	
Raw materials	$ 9,838,131
Work in process	4,124,420
Finished goods	5,809,438
	$19,771,989
February 28, 1969:	
Raw materials	$ 7,136,904
Work in process	9,189,754
Finished goods	6,846,404
	$23,173,062

Effective January 1, 1966, the Boat Division changed its method of valuing inventories from last-in, first-out to first-in, first-out as discussed in Note 4. The inventories at January 1, 1965 and December 31, 1965, as shown above, include $11,676,745 and $13,428,848 on the last-in, first-out method. If the Company had continued the last-in, first-out method, net income for 1966 would have been decreased by $158,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Including Notes Applicable to Period Not Examined by Independent Public Accountants)

(3) Depreciation and Amortization Policy:

The Company provides for depreciation and amortization of property, plant and equipment generally on a straight-line basis over the estimated useful lives of the various assets. The annual depreciation rates used are as follows:

Buildings and improvements	2%-33⅓%
Machinery and equipment	4%-33⅓%
Furniture and fixtures	6⅔%-16⅔%

Certain assets acquired subsequent to January 1, 1954 are being depreciated for income tax purposes using accelerated methods. The amount of income taxes deferred because of using such accelerated methods for income tax purposes while recording straight-line depreciation and amortization on the books are being currently charged to income and credited to the reserve for deferred income taxes. This reserve will be charged with the increase in income taxes payable in future years as a result of using these tax deductions currently.

As a result of the investment credit allowable under the Internal Revenue Code of 1964, the provisions for income taxes have been reduced by $61,000 in 1965, $66,000 in 1966, $94,000 in 1967 and $53,000 in the eight months ended August 31, 1968 and $5,000 in the six months ended February 28, 1969.

Maintenance and repairs are charged to expense as incurred and renewals and betterments are capitalized. Upon the retirement or other disposition of property, the reserve for depreciation is charged with the amounts accumulated therein with respect to such property, and the resultant profit or loss is credited or charged to income.

Leasehold improvements are amortized over the period of the lease and television film rights are amortized over the period of the contract.

(4) Intangible Assets:

The excess of the purchase prices of businesses acquired over net tangible assets at dates of acquisition have been assigned to intangible assets. These intangibles are not considered to have diminished in value and are not being amortized.

On December 31, 1965, Chris-Craft Corporation, a wholly-owned subsidiary, was liquidated into the Company and now operates as its Boat Division. Effective January 1, 1966, the basis of certain assets of the former subsidiary was increased for Federal income tax purposes and the net tax savings realized from the liquidation are being credited to intangible assets. At the date of liquidation of Chris-Craft Corporation, the last-in, first-out method of inventory valuation used by the former subsidiary was changed to the first-in, first-out method for both financial reporting and tax purposes as discussed in Note 2. The difference between lifo and fifo inventory valuations as of January 1, 1966, amounting to $1,492,050, has been added to inventory and credited to intangible assets.

(5) Long-Term Debt and Restrictions:

The provisions of the 5¼% Promissory Note Purchase Agreements are more restrictive as to the payment of dividends than the Indenture covering the 7% subordinated debentures. As of August 31, 1968, and February 28, 1969 approximately $2,700,000 and $2,600,000 respectively, of consolidated net income (as defined) is free of such restriction and is available for payment of cash dividends. The notes, which are unsecured, require payments of $1,500,000 annually and mature on December 15, 1979.

The 6% convertible subordinated debentures, due 1989, are convertible into common stock at $21 per share.

The 7% subordinated debentures due September 30, 1972 require annual sinking fund payments on May 15 based on consolidated net income (as defined) for the preceding year. The principal amount outstanding at August 31, 1968 and February 28, 1969 of $3,780,000, is stated net of $551,900 principal amount of debentures repurchased and held for future sinking fund payments.

The aggregate minimum maturities and sinking fund requirements on long-term debt for the five years subsequent to February 28, 1969 are $1,700,000 in 1970, $1,663,000 in 1971, $1,602,000 in 1972, $1,540,000 in 1973 and $1,509,000 in 1974.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Including Notes Applicable to Period Not Examined by Independent Public Accountants)

(6) CAPITAL STOCK:

As of August 31, 1968 and February 28, 1969, shares of the Company's authorized but unissued capital stock were reserved for issuance as follows:

	August 31, 1968		February 28, 1969	
	Convertible Preferred Stock	Common Stock	Convertible Preferred Stock	Common Stock
Conversion of Convertible Preferred Stock	—	1,718,394	—	1,342,940
Conversion of Prior Preferred Stock	127,794	—	104,108	—
Stock options as set forth in Note 7	16,200	195,868	13,275	495,868
Warrants	—	192,612	—	193,146
Stock purchase plan	—	20,000	—	20,000
Conversion of reserved Convertible Preferred Stock	(143,994)	287,988	(117,383)	234,766
Conversion of 6% Subordinated Debentures	—	—	—	1,224,848
Total	—	2,414,862	—	3,511,568

On August 12, 1968, the Company called all outstanding 6¼% and 5¼% convertible subordinated debentures for redemption on September 12, 1968 and September 27, 1968, respectively. As of August 31, 1968, $2,816,000 of the 6¼% debentures and $4,544,000 of the 5¼% debentures were outstanding. Subsequent to August 31, 1968, 94,975 shares of convertible preferred stock were issued upon conversion of 6¼% debentures, 313,768 shares of common stock were issued upon conversion of 5¼% debentures and $335,719 was paid on redemption of the remaining convertible debentures. These transactions have been reflected in the accompanying consolidated financial statements as having occurred as of August 31, 1968.

The Company issued 12,250 shares of convertible preferred stock in connection with a 60¢ stock dividend declared August 15, 1968, payable September 30, 1968 to holders of record September 16, 1968. This transaction has been reflected in the accompanying financial statements as having occurred as of August 31, 1968. The Company issued 7,171 shares of convertible preferred stock in connection with a 60¢ stock dividend declared February 14, 1969 payable March 31, 1969 to holders of record February 28, 1969. This transaction has been reflected in the accompanying financial statements as having occurred as of February 28, 1969.

Warrants are held by certain institutions exercisable at their option for a period of ten years from October 10, 1961 for 193,146 shares of Chris-Craft Industries, Inc. common stock at $12.62 a share, as adjusted for stock dividends and the stock split, and are subject to further adjustment under certain conditions.

Each share of prior preferred stock may be converted, subject to adjustment under certain conditions, into .50723 share of convertible stock until June 1, 1971. The Company may redeem the prior preferred stock, or any part thereof, at $25.00 per share. In the accompanying balance sheet, outstanding prior preferred stock does not include 4,700 shares at August 31, 1968 and 26,800 shares at February 28, 1969, which have been acquired by the Company and are being held by the Company for retirement.

Each share of convertible preferred stock may be converted at any time, subject to adjustment under certain conditions into two shares of common stock. The Company may redeem the convertible preferred stock, or any part thereof, at $40.00 per share, but not before the earliest of the redemption or elimination of all outstanding shares of prior preferred stock or June 1, 1971.

(7) STOCK OPTIONS:

Under the Company's qualified stock option plans, as in effect from time to time, shares of the Company's common stock have been made available for options to employees of the Company and its subsidiaries. In addition, the Company has assumed options previously granted by Baldwin-Montrose Chemical Company, Incorporated, in connection with the merger of Baldwin-Montrose with and into the Company, which are now exercisable in shares of the Company's convertible preferred stock. Options granted for common stock are exercisable one third after the end of each of the first, second and third years from the date of grant. Options granted for preferred stock are exercisable one fourth after the end of each of the first, second, third and fourth years from the date of grant. Under the Company's plans and the plan of Baldwin-Montrose, the rights of exercise are cumulative and the option price is 100% of fair market value on the date the option is granted.

As of August 31, 1968, 195,868 shares of the unissued common stock and 16,200 shares of the unissued convertible preferred stock were reserved for issuance under stock option plans of the Company. Of these, options for 11,574 shares of common stock and 16,200 shares of convertible preferred stock were outstanding as of that date and options for 1,250 shares of convertible preferred stock were exercisable.

During the eight months ended August 31, 1968, the Company granted an option for 11,574 shares of common stock at $14.562 per share, and options for 520 shares of convertible preferred stock were cancelled.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Including Notes Applicable to Period Not Examined by Independent Public Accountants)

As of February 28, 1969, 495,868 shares of the unissued common stock and 13,275 shares of the unissued convertible preferred stock were reserved for issuance under stock option plans of the Company. Of these, options for 198,000 shares of common stock and 13,275 shares of convertible preferred stock were outstanding as of that date and options for 3,161 shares of convertible preferred stock were exercisable.

During the six months ended February 28, 1969, the Company granted options for 186,426 shares of common stock at prices ranging from $17.97 to $20.35 per share and options for 2,925 shares of convertible preferred stock were exercised.

A summary of pertinent information with respect to these stock options for the three years and eight months ended August 31, 1968 and the six months ended February 28, 1969 is presented below:

	Number of Shares	Option Price		Market Price	
		Per Share	Total	Per Share	Total
Common Stock:					
Shares subject to option by year of grant:					
Eight months ended August 31, 1968...	11,574	$14.56	$168,546	$14.56	$ 168,546
Six months ended February 28, 1969 ...	186,426	17.97- 20.35	3,438,950	17.97- 20.35	3,438,950
	198,000		$3,607,496		$3,607,496
Options which became exercisable during:					
Year ended December 31,					
1965	27,656	$6.04 & $6.57	$169,854	$ 8.00 & $11.57	$ 241,233
1966	5,950	6.25	37,187	11.57	68,812
1967	6,246	5.95	37,164	19.00	118,674
Eight months ended August 31, 1968...	—	—	—	—	—
Six months ended February 28, 1969 ...	—	—	—	—	—
	39,852		$244,205		$ 428.719
Options exercised during:					
Year ended December 31,					
1965	2,200	$6.04	$ 13,277	$11.32	$ 24,893
1966	42,928	5.47- 6.25	247,401	9.50- 13.19	539,544
1967	29,774	5.47- 5.95	168,412	14.44- 20.19	445,450
Eight months ended August 31, 1968...	4,132	5.95	24,585	16.75- 17.69	71,889
Six months ended February 28, 1969 ...	—	—	—	—	—
	79,034		$453,675		$1,081,776
Convertible Preferred Stock:					
Shares subject to option by year of grant:					
Year ended December 31,					
1965	3,005	$21.25	$ 63,856	$21.25	$ 63,856
1967	10,270	30.00- 36.00	326,820	30.00- 36.00	326,820
Eight months ended August 31, 1968...	—	—	—	—	—
Six months ended February 28, 1969 ...	—	—	—	—	—
	13,275		$390,676		$ 390,676
Options which became exercisable during:					
Year ended December 31,					
1965	11,537	$ 8.00-$21.50	$118,773	$18.26-$27.26	$ 299,469
1966	8,273	8.50- 25.76	116,270	13.50- 20.76	165,390
1967	3,295	20.00- 25.76	70,263	20.00- 25.76	70,263
Eight months ended August 31, 1968...	780	36.00	28,080	40.875	31,883
Six months ended February 28, 1969 ...	5,240	20.00- 30.00	128,656	32.63- 38.25	194,367
	29,125		$462,042		$ 761,372
Options exercised during:					
Year ended December 31,					
1965	6,906	$ 8.00-$12.00	$ 61,560	$24.00-$25.00	$ 166,619
1966	13,506	8.00- 12.00	128,415	17.50- 25.60	256,793
1967	5,912	8.50- 21.25	63,643	22.25- 39.75	204,638
Eight months ended August 31, 1968...	6,348	20.00- 25.76	173,355	30.25- 49.00	261,822
Six months ended February 28, 1969 ...	2,925	20.00- 30.00	63,087	38.88- 47.13	119,949
	35,597		$455,060		$1,009,821

The Company has made no charges to income for any year in connection with stock options. Upon exercise of the options, the proceeds are credited to common stock to the extent of par value, or convertible preferred stock to the extent of $17.50 stated value, and capital surplus.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Including Notes Applicable to Period Not Examined by Independent Public Accountants)

(8) Pension and Profit Sharing Plans

The Company has several trusteed pension plans. The costs of the plans charged to income, including past service costs which are being funded over twenty to thirty years, were approximately $347,000, $390,000, and $529,000 in 1965, 1966 and 1967 respectively, and $415,000 in the eight months ended August 31, 1968 and $295,000 in the six months ended February 28, 1969. The Company's policy is to fund pension costs accrued. Unfunded past service costs are approximately $625,000 at August 31, 1968 and $600,000 at February 28, 1969.

On May 15, 1968, the shareholders adopted and approved a non-contributory profit sharing plan which, effectively, continued a similar plan of Baldwin-Montrose. The plan provides for contributions by the Company to a trust fund in amounts determined by the Board of Directors which may not exceed 10% of the Company's income before taxes or 12% of the salaries of the participants (eligible full-time salaried employees). Costs and expenses for 1965, 1966, 1967 and the eight months ended August 31, 1968 were approximately $98,000, $97,000, $72,000, and $76,000, respectively. Costs and expenses for the six months ended February 28, 1969 were approximately $92,000.

(9) Supplementary Profit and Loss Information

	Thousands of Dollars				
	Year Ended December 31			Eight Months Ended August 31, 1968	Six Months Ended February 28, 1969
	1965	1966	1967		
Maintenance and repairs:					
Cost of sales or television expenses ..	$1,135	$1,238	$1,260	$1,010	$ 718
Selling and general expenses	34	40	35	26	24
	$1,169	$1,278	$1,295	$1,036	$ 742
Depreciation of property, plant and equipment:					
Cost of sales or television expenses ..	$1,413	$1,432	$1,495	$1,093	$ 902
Selling and general expenses	111	136	158	123	63
	$1,524	$1,568	$1,653	$1,216	$ 965
Taxes other than income taxes:					
Cost of sales or television expenses ..	$1,474	$1,591	$1,513	$1,338	$ 805
Selling and general expenses	630	757	624	493	569
	$2,104	$2,348	$2,137	$1,831	$1,374
Detail of taxes included above:					
Property	$ 504	$ 518	$ 581	$ 394	$ 302
Payroll	1,250	1,402	1,264	1,132	800
State income and franchise	301	403	282	289	268
Other	49	25	10	16	4
	$2,104	$2,348	$2,137	$1,831	$1,374
Rents and royalties:					
Cost of sales or television expenses ..	$ 228	$ 281	$ 346	$ 312	$ 224
Selling and general expenses	100	144	156	139	130
	$ 328	$ 425	$ 502	$ 451	$ 354

There were no management or service contract fees.

(10) Events Subesquent to Date of Report of Independent Public Accountants

In December, 1968, the Company sold $25,723,200 6% convertible subordinated debentures, due 1989. The Debentures are convertible into common stock at $21 per share and, accordingly, 1,224,914 shares have been reserved for conversion of such Debentures.

In December, 1968, the 5¾% Promissory Note Agreements were amended and the annual payments were increased from $1,100,000 to $1,500,000. The Agreements contain limitations upon investments which will necessitate, on or before November 3, 1969, either sale of approximately $7,000,000 of investments in securities or a further waiver by the Noteholder similar to the one granted on April 23, 1969, of the provisions limiting investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Including Notes Applicable to Period Not Examined by Independent Public Accountants)

In February, 1969, the Company borrowed $15,000,000 from a bank under a demand note, with interest at the prime rate.

The Company has purchased 556,206 shares of common stock of Piper Aircraft Corporation at a cost of approximately $35,325,000 and, as described in this Prospectus, is offering to acquire additional shares in exchange for shares of its Preferred Stock, $2.00 Convertible Series of 1969, Warrants to purchase common stock, and cash consideration.

On April 28, 1969, the shareholders authorized an increase of 300,000 in the number of shares of common stock reserved for the Employees' Stock Option Plan.

On April 28, 1969, the shareholders approved a two-for-one split of common stock, which became effective May 6, 1969. All share data included in the financial statements have been retroactively adjusted to reflect this split.

PLAINTIFF'S

EXHIBIT 77H

EXCERPTS

CHRIS-CRAFT PROSPECTUS

JULY 24, 1969

The Chris-Craft exchange offer for Piper Common Stock commenced May 19, 1969. Pursuant to that exchange offer, 39,826 shares of Piper Common Stock were tendered or committed to be tendered. None of those shares were accepted because the offer was for a minimum of 80,000 shares. The offer made hereby eliminates the 80,000 share minimum. On June 5, 1969, June 12, 1969, June 17, 1969, June 27, 1969, July 11, 1969 and July 21, 1969, Chris-Craft extended the exchange offer. That exchange offer is no longer in effect. The holders of the 39,826 shares of Piper Common Stock tendered under the earlier offer will be contacted personally by Chris-Craft and informed that such tendered shares may be withdrawn or retendered.

DEPOSITION OF THE FIRST BOSTON CORPORATION BY NICHOLAS H. BAYARD TAKEN ON JUNE 15, 1970

PLAINTIFF'S

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.

MAR 18 1971

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A It was a general discussion, although I was trying to get specific, but at that point in time he apparently did not have, shall we say, preliminary figures for that quarter.

I am referring to the quarter ended December 31, 1968.

Q Did Mr. Poole tell you whether sales for that quarter compared with the first quarter of 1968 as to whether there was an increase or decrease?

A He wasn't that specific. I think he said that there was some softing, but he did not have a handle on it, nor did he have a handle on earnings for that quarter.

Q You asked him about earnings?

A Yes.

Q Did he tell you there was a softing on earnings, as well?

A No. When I use the word "softing," I am referring to sales, aircraft sales.

Q Was anyone else present at your conversation with Mr. Poole?

A Yes. John Allen of our research department was there.

Q Were any arrangements made at that

release to the papers.

Q And the same applies to the letter itself?

A Yes, I just don't recall seeing this particular letter. Obviously the most important part is the news release text.

Q Who drafted the January 27th letter?

A The letter of the 27th, I believe the initial crack at the text was done by Dudley King.

Q Mr. Long?

A Mr. Long and/or his associate. He had one fellow there.

Q Were you present when that letter was drafted by the King organization?

A Yes.

Q Did you review a former version of the letter?

A Well, right, this is the letter in its final form, which I didn't see as it stands now, but essentially, the final form, yes, I did see, assuming there was no change between that drafting session and when it was finally sent out on the Piper Aircraft letterhead.

Q What suggestions, if any, did you make about the contents of that letter?

A As I recall, I only made one suggestion which had to do with item No. 4 in the sixth full paragraph.

Q Did you propose that item No. 4 be included?

A No.

Q Was there an item No. 4 before its present form?

A That is correct.

Q Do you recall what it said?

A I don't recall what it said, but I do know that I made a suggested change. I thought it was much more puffy than it should have been.

Q Exhibit 22 refers to protection re: Bangor. Would you explain that for me, please?

A Yes. The specific area of this exhibit that you are referring to appear to be notes that I took down in a conversation with Paul Miller when he reported back to me on the Saturday meeting early Monday morning, and there was a provision built into the purchase agreement which was put in there, I understand, because we came to learn, either through the Pipers or some representative of Grumman, that Gulf and Western had at that time taken a position in the Grumman stock which amounted to approximately

A As I recall, I only made one suggestion which had to do with item No. 4 in the sixth full paragraph.

Q Did you propose that item No. 4 be included?

A No.

Q Was there an item No. 4 before its present form?

A That is correct.

Q Do you recall what it said?

A I don't recall what it said, but I do know that I made a suggested change. I thought it was much more puffy than it should have been.

Q Exhibit 22 refers to "protection re ~~Bangor~~ backdoor". Would you explain that for me, please?

A Yes. The specific area of this exhibit that you are referring to appear to be notes that I took down in a conversation with Paul Miller when he reported back to me on the Saturday meeting early Monday morning, and there was a provision built into the purchase agreement which was put in there, I understand, because we came to learn, either through the Pipers or some representative of Grumman, that Gulf and Western had at that time taken a position in the Grumman stock which amounted to approximately

7 percent. So, as a consequence, a provision in the purchase agreement gave the Piper Aircraft Corporation some sort of protection in the event that, shall we say, that Grumman, itself became a target company.

Q Was its purpose to avoid Piper being taken over by Gulf & Western, by reason of Gulf & Western's stock ownership in Grumman?

A To give the Piper stockholder a measure of flexibility. If Grumman was going to be taken over by an outsider on a second level, so to speak.

Q Through this provision, Piper would be able to avoid also being taken over?

A Right.

Q On Exhibit 25, one of the group prepared before January 28th, would you look at the group of figures, beginning with 483,000 and ending up with a final total of 800,000.

Would you explain to me what that represents.

A Well, as you can see, I have labeled that section of the memorandum "Art Long," which implies that these notes followed or were taken down while he was discussing what information he then had with

stock in the Grumman transaction?

A No.

Q From your answer, I gather that you did not discuss it with any representatives of the Exchange, either?

A No. Mr. Deming reported back to me from time to time as to what problems the Exchange was having, but that is really the extent of it. I was just being kept informed as to the progress or lack of progress on the document.

Q But you, yourself, did not get involved with the Exchange?

A No.

Q When you reviewed the January 27, 1969 letter, did you discuss with anyone the statement "Your board of directors has carefully studied this offer and is convinced that it is inadequate and not in the best interests of Piper shareholders"?

A Not in any detail. Let me offer this: I didn't draft this thing and I might well have said something -- written it quite differently. I felt that this a relatively new experience for me, this situation, that I felt it was the company and their counsel's job to pass upon what could be said and what could not be

A That is correct.

Q Did you suggest to anyone there that any of the qualifications that you have just expressed be included in this letter?

A No, I did not.

Q Had you, yourself, arrived at any conclusion as to the fairness of $65 per share?

A I would have to go along with what Mr. Miller concluded. For a fair market value at the time, it was fair.

Q That was your opinion at the time?

A That is correct.

Q At the time of the January 27th letter, had Mr. Poole yet furnished you with the earnings and sales figures that you spoke of earlier?

A No. As I mentioned earlier, it is my recollection that we discussed that in this rather large meeting that morning --

Q The morning of January 24th, as I recall?

A Yes.

Q Now, between January 24th and January 27th, did you have any further conversations with Mr. Poole concerning the first quarter fiscal 1969 earnings or sales of Piper?

said.

Q You did suggest changes to item No. 4 because you thought it was too puffed?

A A minor change.

Q Did you suggest any change to the sentence I read?

A No.

Q Do you know if First Boston expressed its opinion as to the adequacy of the Chris-Craft offer?

A I think you will find that Mr. Miller has come forth and said that he discussed with Mr. Piper and Mr. Poole the figure of $65 a share, and that $65 per se was an adequate price, but that the exchange offer in his opinion was not adequate for all the stockholders of Piper in that it did not take all of them into consideration. It was a limited exchange offer -- cash tender offer.

Q You are referring to the testimony of Mr. Miller that we both read?

A Yes.

Q Were you aware that he made these statements at the time you reviewed this letter in the presence of Mr. Long and others?

PLAINTIFF'S

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.
MAR 18 1971

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DEPOSITION OF MARY P. BOLLES TAKEN ON APRIL 24, 1970

Did [illegible] discussed that letter or that with [illegible] Piper?

MR. [illegible]: I object to the form of the question as assuming testimony that the witness didn't give.

MR. [illegible]: What testimony are we assuming?

MR. SHIMER: That the first conversation --

MR. ACKELL: Q Was there a conversation prior to the time that you received the various Exhibits 97 at which you discussed the 64,000 share figure contained in Exhibit 96?

A Say that one again, now, because I got halfway through and stopped.

MR. ACKELL: Would you repeat the question, please?

[Pending question read by the reporter.]

THE WITNESS: Now wait a minute. What is the exhibit we're talking about?

MR. ACKELL: What you prepared.

MR. SHIMER: And these are all 97.

MR. ACKELL: Instructions, the escrows.

THE WITNESS: Well, now you have to state the question again.

MR. ACKELL: Read the question back again, please.

[Pending question read by the reporter.]

THE WITNESS: No.

MR. ACKELL: Q When did you discuss the 64,000-share figure?

A Following my preparation of the sheet.

Q Was that before you received the instructions to seller and other materials that we've marked Exhibit 97?

A No, I think it would have been about the same time.

Q Did Thomas Piper tell you how many shares of the Belles group

...e wanted to participate in the Grumman transaction?

A It's always been assumed that everybody participates.

Q What do you mean, "always been assumed"?

A That's the way it is in the family.

Q Have there been other transactions of this kind that you took into consideration?

A No, but if your father builds an aircraft company, and he gives you shares of stock in the company, if you plan to have your father continue to own the aircraft company, you obviously don't give them away, sell them, or otherwise jeopardize them.

Is that understood?

Q I heard your answer.

MR. McCOMISH: Why don't we --

MR. ACKELL: Q Did you discuss with Thomas Piper the fact that Schedule 1 that you received with Exhibits 97, reflected less than all the Piper shares owned by the Bolles group?

Do you understand the question?

A Well, I don't understand what you want me to answer.

You know, I understand what you said, but what would have been the reason for my having discussed that with him?

Q The reason I can't answer, Mrs. Bolles, I can only ask you whether you discussed it with him at any time.

A I don't know what to say.

MR. McCOMISH: Well, you can tell whether you did or didn't.

MR. SHIMER: Or if you don't remember.

THE WITNESS: I don't remember, I guess, is the answer.

MR. ACKELL: Q What did you do after adding up the number of shares reflected on the little slip of paper that was attached to

PLAINTIFF'S 404

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.
MAR 19 1971

78C

DEPOSITION OF JOHN M. FERRIS TAKEN ON FEBRUARY 25, 1971

Also Present:

J. MARNE GLEASON, ESQ.
Attorney for Avco Lycoming

* * *

IT IS HEREBY STIPULATED AND AGREED by and among counsel for the respective parties hereto that filing and certification of the transcript of the within deposition be, and the same hereby are, waived; and that the transcript may be signed and sworn to by the witness being examined before any Notary Public with the same force and effect as if signed and sworn to before the Court.

* * *

J O H N M. F E R R I S, having been first duly sworn by the Notary Public, was examined and testified as follows:

EXAMINATION BY MR. ACKELL:

Q What is your residence address?

A 855 Vallamont Drive, Williamsport, Pennsylvania.

Q By whom are you employed?

A Avco Corporation.

Q What is your position at Avco?

A Vice-president and general manager of the Avco Lycoming Division, Williamsport.

Q Is the Avco Lycoming Division located at Williamsport?

A Yes.

Q Does it also have other locations?

A No.

Q Does it have manufacturing facilities at places other than Williamsport?

A No.

Q How long have you beenvice-president and general manager of Avco Lycoming?

MR. GLEASON: Your question is directed to the reciprocal ~~engineering~~ engines -- I mean, your previous question about other manufacturing locations --

MR. ACKELL: For Lycoming.

THE WITNESS: The reason Mr. Gleason asked is that we have two Lycoming divisions that are completely separate. I am general manager of the Williamsport operations, which is a separate autonomous division. There is another Avco Lycoming, Stratford.

Q And Avco Lycoming, Williamsport builds only

MR. LIMAN: Off the record.

(Discussion off the record.)

A I'm not sure what you define it as, because these are development processes that you go through, and the intention, I know, was to get an engine of 520 horsepower, continuous rating. But whether we ever -- I mean, I doubt that we ever said that we had one right then.

Q Did you ever agree to furnish a 520 horsepower normal rated engine?

A If you are asking, do we guarantee something like that, we don't guarantee anything on that order except to furnish our best efforts to arrive at it, and usually give an opinion that we see no reason why we can't arrive at it, and this is what goes on during the normal course of an engine development program to get what the customer wants.

Q But in this case, did you agree in writing to use your best efforts to furnish a 520 horsepower normal rated engine?

A Not in those specific terms. That is a matter of faith between the companies. We say we are going to try to get it, and they expect us to get it.

Q Did you render the opinion that you would

an engine as described in the first sentence of the second paragraph of Exhibit 133?

MR. SHIMER: I object to the form of the question.

Q You may answer.

A We agreed to build and deliver an engine, as discussed, which we expected to deliver 520 horsepower.

Q But did you commit Avco Lycoming to deliver 520 horsepower, or did you just say, "We expect that it will"?

A That is all we ever say until we have tested it and calibrated it.

Q All you ever say is that you expect to achieve that horsepower?

A Yes.

Q And you told that to Piper in July of 1968?

A Yes.

Q Had you, until this time, kept Piper abreast of the test results with respect to increasing the horsepower of that engine?

MR. SHIMER: I object to the form of the question.

A Generally, yes.

Q And subsequent to July of 1968, did you also

modification to get the flow of the air through the engine for proper cooling.

The airplane engine-propeller ~~or~~ combination has to be checked to make sure that no vibrations are set up as a result of matching the three of them.

Proper blade stresses in the propeller must be measured.

Fuel flow settings have to be determined, and they will be different for each airplane. That is, the same engine in two different airplanes will have different settings.

Q Was Avco Lycoming able to overcome those problems in this instance?

MR. SHIMER: At which point in time?

MR. ACKELL: At any time.

A That work is still continuing, and they are not completed. All of them have not been overcome yet.

Q You are still trying to build a TIO-720 normal rating 520 horsepower?

A Yes.

Q Have any of the problems that existed at the time the August 1, 1969 letter was written been overcome?

A Oh, yes.

MR. ACKELL: Will you please mark as Exhibit 137, a document entitled "Avco Lycoming Specification No. 2390."

(Document entitled "Avco Lycoming Specification No. 2390," marked Chris-Craft Exhibit 137 for identification, as of this date.)

BY MR. ACKELL:

Q Are those the first specifications, to your knowledge, prepared for the TIO-720 engine at 520 horsepower, maximum, continuous?

MR. SHIMER: I object to the form of the question.

A I don't know that for sure. I would guess so.

Q At the time this document was prepared, was the engine described in there an experimental engine?

A Yes. They are tentative specifications.

Q Does that indicate it is an experimental engine?

A Yes.

Q Is the engine still an experimental engine?

A Yes.

Q At what time does the engine lose the designation experimental?

A After it completes the FAA type test.

Q Referring now to the first inner page of Exhibit 137, has Avco Lycoming, until today, produced the engine with the rating referred to on that page?

MR. SHIMER: Which rating?

MR. ACKELL: There is only one rating on the page.

A There is a rating for maximum continuous horsepower, at rpm, one at cruise, one at economy cruise --

Q The reference to 520 horsepower.

A Would you read the question now for me, please?

(The record was read by the reporter.)

A Yes, we produced this engine for prototype purposes.

Q Which is still experimental, is that correct?

A That is correct.

Q What does the word "altitude" with respect to the 520 horsepower rating mean?

A Sea level altitude.

Q What is the purpose of issuing those specifications?

A They are for the purpose of letting the aircraft designer plan the interfaces that we spoke of earlier.

gave them?

Q I am referring to whatever engine you told Piper you would build.

A The specifications on the engine had never ever been settled on exactly what we were going to build for them.

We told them we could build an engine for 520 horsepower.

Q According to certain specifications; is that correct?

A We gave them tentative specs as to what we envisaged at that time the engine would look like, which is the reason for the tentative spec.

Q For which the engine for the Pocono plane was built, is that correct?

MR. SHIMER: I object to the form of the question.

A I don't know that. I don't know what the criteria of Piper are, as far as what they do with the airplane.

The Pocono ended up as a design requiring 520 horsepower, and in general, in size and weight of the engine, it was the specification of the engine we gave Piper.

Q What size and what weight engine did you

agree to deliver to Piper?

A We agreed to attempt to give them an engine in that size and weight specification.

Q You only agreed to attempt to deliver?

A We don't work with bonds and guarantees between ourselves. Mr. Piper, or somebody in the organization, engineering, management, somebody asks our people, "Do you think you can give us this?"

And we say, "Yes. Do you want us to try?"

And they say, "Yes."

And this is greatly oversimplified, you understand.

We say, okay, and then we go ahead and try.

Q So the extent of your obligation, then, was to try?

MR. SHIMER: I object to the form of the question.

A We have no other obligation other than to attempt to put forth our best efforts to build them a 520 horsepower engine.

Q In other words, you had no obligation to deliver to them a 520 horsepower engine?

MR. GLEASON: Are you talking about moral obligation? Legal obligation?

production still.

Q How did you come by the information that it was one of the engines considered for the Pocono?

A In general discussion they talked about putting turbines in, talked about putting Pratt-Whitneys in, talked about putting four of our engines in -- when we get together to talk airplane design and flying and what would be the best, how to market it, and so on -- we even recommended four engines for the Pocono.

Q Did there come a time that you learned that Piper had built a plant in Florida for the specific purpose of building the Pocono?

MR. SHIMER: I object to the form of the question.

A Yes, I knew that they had bought a plant and were considering building the Pocono there.

Q How did you learn about that?

A From Howard Piper.

Q What, in substance, did he tell you?

A Just that, that they were looking for a plant, and later told me that they had bought the one in Lakeland.

Q You testified in response to a question by Mr. Shimer that you had built other experimental

engines for specific Piper aircrafts; is that correct?

A Yes.

Q Have you built any other experimental engines for Piper Aircraft for which a plant had been constructed?

MR. SHIMER: I object to the form of the question.

A Not where anybody from Piper informed me that that engine was going to that plant.

However, we built the engines for the Cherokee, and we were told that Piper was going to build a plant in Vero Beach to produce the airplane.

Q Which it did after you produced the engines is that correct?

A Yes.

Q Was there any discussion of the developmental or experimental nature of the engine at the time Mr. Howard Piper told you about the Lakeland plant?

A I don't know that it was at that specific moment. I have been talking ~~about~~ to Mr. Piper frequently about the engine, not only that one, but all of the engines that he uses, and we have discussed many times the configurations and the possibilities.

Q Did you caution Mr. Piper that it was an

experimental engine at the time?

A I don't have to. He knows that. It has it right on the serial number. He knows about how you certify an engine.

MR. ACKELL: I have no further questions.

MR. SULLIVAN: N[illegible]ions.

MR. SHANK: I hav[illegible]questions.

(Time noted: 7:00 p.m.)

John M Ferris

John M. Ferris

Subscribed and sworn to before me

this ____ day of _____ 1971.

_____

ADDITIONAL PAGES OF DEPOSITIONS SUBMITTED BY PIPER

Q Is it a confidential matter?

It is not a Piper airplane?

A It is not a Piper airplane.

Q When did you first begin working on it in connection with the other manufacturer?

MR. GLEASON: Off the record for a moment, please.

(Discussion off the record.)

BY MR. ACKELL:

Q Prior to August 1, 1969, had a TIO-720 engine been shipped to any airplane manufacturer other than Piper by Avco Lycoming?

A I can't be sure of my date. At approximately that time we had shipped one. I don't have the record of when we shipped the other two engines.

Q Are those two engines rated above 470 horsepower, normal rating?

A 520 horsepower.

Q Were they actually rated at 520, or was that the object of it?

A I have already said that we have not certificated these engines. They were experimental engines rated by us at 520 horsepower, but not production engines and not certificated by the FAA.

Q Was there ever a time that Avco Lycoming itself certified this engine at 520 horsepower, normal rating?

A There is no such thing as an Avco Lycoming certification. We ship it out to the customer and say, "It has 520 horsepower. Fly your airplane, use 520 horsepower, and the engine will not come apart, and it is safe to fly."

We use the term, "50-hour engine."

Q Within the tolerances of the engine, was 520 horsepower ever achieved as a normal rating in Avco Lycoming's test facilities?

A Yes.

Q When was that achieved?

A I can't give you the exact date, but we shipped to Piper on June 4, 1969 a TIO-720B1A rated at 520 horsepower, but I can't give you the exact date we achieved it. It would be sometime before that that we had run it on our dynamometers and gotten 520 horsepower.

Q Is that an indication that the engine can perform at 520 horsepower on a continuous basis?

A That is the indication.

Q And is that the same test that is performed

horsepower could be achieved?

A Yes.

Q Which of those people told you that?

A Most importantly, Mr. Riddel, who is vice-president of engineering.

Q And what did he tell you in that respect?

A Well, basically, what is outlined here, that we had to go to an inter-cooler to get an acceptable brake, specific fuel consumption and cooling on the engine.

There are some other details that I am not quite sure of, but the exhaust stacks were too close and we wanted to lengthen them a little bit so the gases would cool down before they got to the intake.

MR. GLEASON: I think the question was, did anybody tell you it could be furnished.

THE WITNESS: I think I answered that.

(continued on page 50)

BY MR. ACKELL:

Q Are you saying now the conditions upon which it could be furnished?

A No, there were no conditions, no question in the mind of the vice-president of engineering and his staff, that we could develop the 520 horsepower engine.

Q Normal rating?

A Normal rating.

Q Do you know when that opinion was delivered to Piper by Mr. Riddel?

MR. GLEASON: That was not the question. The question was whether anybody advised Mr. Ferris that that could be done.

MR. ACKELL: That was not my intention.

Q Did Mr. Riddel tell you that he had told Piper that that could be achieved and, if so, when did he tell you that he had told that to Piper?

A I would say we told Piper in July of 1968, when we agreed to some redesign to give them 520 horsepower.

Q Are you referring to the letter marked Chris-Craft Exhibit 133?

A Yes.

Q Was Avco Lycoming's ability to deliver such an engine also the subject of discussion at the

meeting of August 21, 1968, at Piper, at which you were present?

A I don't think there was ever any question of whether or not we could deliver 520 horsepower. It was a question of how we would get there, and the interfaces between the engine and the airplane.

Q What are the interfaces between the engine and the airplane?

A Well, the engine you build has to fit in the airplane, and how you put it in --

Q You mean how it would differ from the mock-up you had earlier delivered?

A No, not necessarily.

Does it get in?

Does it affect the weight and balance of the airplane?

What is the clearance of the propeller?

What size propeller do you use with this engine, and do you have enough room for it to go around without it hitting the fuselage or the ground?

What kind of engine mounts do you put on it

Do you have enough room to put the turbo-charger in?

Do you have to put a redesigned cowl on

in order to take care of the high spot in it?

Where does the injector go?

What type of intake pipes do we have?

What type of baffles do we have?

How much air do you need to cool the alternator?

How much do you have on the cylinders?

Where is the air flow going?

Where does the air filter go?

How do you take care of icing conditions?

What kind of trapdoor do you have, manual or magnetically loaded, spring-loaded -- thousands of interfaces between the engine and the airplane and the propeller.

Q Were those the subject of discussion at the meeting of August 21, 1968?

A Not all of those, because many of them had already been decided upon.

The major discussion at that time was this torsional problem, which is related to the propeller, and when the types of propellers and tests were discussed along with some more discussion on fuel consumptions that had been discussed previously.

Q Up until September 3, 1968, Avco Lycoming

BY MR. ACKELL:

Q Have you had the opportunity to review the power charts enclosed in Exhibit 135?

A Yes.

Q Can you determine from that power chart the horsepower that the TIO-720 was developing at that time?

MR. GLEASON: As represented on that chart?

MR. ACKELL: Yes.

A Yes.

Q Is the chart dated?

A Yes.

Q What is the date?

A February 20th and 21, 1969.

Q What is the horsepower the engine was developing as of that date?

MR. GLEASON: Excuse me, the chart is dated February 21, 1969.

Does that necessarily mean that is the date of which it speaks?

A Yes. February 20th and 21, 1969.

The chart indicates that the horsepower for 2650 rpm was approximately 538 horsepower.

Q At what manifold pressure?

from Piper to Mr. Anderson, which I will ask the reporter to mark Exhibit 141 for identification.

(Letter dated April 1, 1969, from Piper to Mr. Anderson, marked Chris-Craft Exhibit 141 for identification, as of this date.)

Q (Continuing) Have you seen this letter before today?

A I have a copy with me. I read it this morning.

Q Was that the first time you had seen it?

A Yes.

Q Was it brought to your attention on or about April 1, 1969, that Piper was no longer interested in using the second engine then being prepared for immediate flight test work on the Pocono?

MR. SHIMER: I object to the form of the question.

A I was informed that we were going to have to bring the engine back and modify [illegible]. I don't know the exact date.

Q Was there any discussion between you and anyone at Lycoming about the capability of the engine to deliver a full 520 rated horsepower at that time?

A No. That is why we were bringing it back, to make the changes, I presume.

I have never, in the history of this whole project, had anybody in our company tell me that there was any doubt we could build a satisfactory 520 horsepower engine.

Q -- which has not yet been built.

A We don't ever certify an engine until we have the flight tests in the airplane completed and everybody agrees on the specifications of what we are going to type test, but the engine is tested for many aspects of it -- for torsionals, for fuel flow curves, for horsepower --

Q Has Avco Lycoming ever failed to produce an engine according to specifications furnished, like the advance specifications that have been marked here as an exhibit?

A I doubt that we ever built an engine that was to the exact specifications of the tentative one.

We have never failed to build an engine that we have said we could build.

Q And you said you could build this one?

A We said we could build this one.

Q As of April 1, 1969, had you built the engine that you had said you could build?

A Are you referring to that specifica[illegible]

gave them?

Q I am referring to whatever engine you told Piper you would build.

A The specifications on the engine had never ever been settled on exactly what we were going to build for them.

We told them we could build an engine for 520 horsepower.

Q According to certain specifications; is that correct?

A We gave them tentative specs as to what we envisaged at that time the engine would look like, which is the reason for the tentative spec.

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Q What size and what weight engine did you

agree to deliver to Piper?

A We agreed to attempt to give them an engine in that size and weight specification.

Q You only agreed to attempt to deliver?

A We don't work with bonds and guarantees between ourselves. Mr. Piper, or somebody in the organization, engineering, management, somebody asks our people, "Do you think you can give us this?"

And we say, "Yes. Do you want us to try?"

And they say, "Yes."

And this is greatly oversimplified, you understand.

We say, okay, and then we go ahead and try.

Q So the extent of your obligation, then, was to try?

MR. SHIMER: I object to the form of the question.

A We have no other obligation other than to attempt to put forth our best efforts to build them a 520 horsepower engine.

Q In other words, you had no obligation to deliver to them a 520 horsepower engine?

MR. GLEASON: Are you talking about moral obligation? Legal obligation?

MR. ACKELL: Any obligation.

Q Did you consider you had that obligation?

A I consider it our obligation to put forth our best effort. If we failed, I don't think we would have owed Piper any money for not having attained it. But every time we make that kind of statement, every time we have that conversation and make that representation, we put our reputation on the line.

Q Did you make that representation at the time you wrote that letter marked Exhibit 129 for identification?

A We did not have an engine that we considered satisfactory for the use that Piper wanted on the date that we wrote this letter. We did have suggestions on how we would make it satisfactory, or could make it satisfactory.

Q You were asked to deliver a 520 horsepower normal rating engine, is that correct?

A Yes.

Q Referring to the balance of Exhibit 129, what, in substance, were you offering to deliver in terms of the horsepower rating of the engine?

A In its configuration at that time, we were suggesting a 520 horsepower takeoff rating and a type

A Well, he repeated what Walter Jamouneau had said. He thought that the reason for my being subpoenaed was to discuss the Pocono, and we didn't discuss any more about it, pro or con.

Q You did not discuss with Bill Piper the testimony that you would give this afternoon?

A No.

MR. ACKELL: Do you have any questions?

BY MR. SHIMER:

Q Has Avco Lycoming ever built an experimental engine for Piper, other than the Pocono engine?

A I guess every one they ever had since the war, although we don't build engines for specific customers. We build engines to sell to anybody that we can sell them to, and we tailor each one of them to the aircraft's design.

Q Do you recall any other instance that you built an engine for Piper that was in the same status as the Pocono engine was in 1966 or '67 --that is, you had not sold one to anyone else yet?

A Yes, when we built the original IO-720, the first application was the Piper Comanche, and we had not sold it to anybody else. It was for the Piper Comanche.

question.

Q How would you describe the engine that was being worked on for the Pocono?

A It is a development based on an existing engine to increase the power of it.

In effect, when it ends up, though, it is a different engine, has a different model number, different specification, and a different certification number.

Q Do you recall any time prior to January 23, 1969 at which you or anyone connected with Lycoming advised Piper that the engine for the Pocono could not be produced?

A I don't believe that we advised Piper that the engine for the Pocono could not be produced at any time. I think what we said was that in its present configuration it would not be satisfactory.

Q And that occurred with your August 11, 1969 letter, Exhibit 129?

A Yes.

MR. SHIMER: Thank you. I have no further questions.

MR. ACKELL: I have a few more questions.

ADDITIONAL PAGES SUBMITTED BY CHRIS-CRAFT

for type certification purposes?

A That is a part of it.

Q What additional parts are performed with respect to the normal horsepower rating?

A Basically, endurance testing.

Q That is also performed in a test cell?

A Yes.

Q Was that performed before the shipment of the engine you referred to in June of 1969?

A Not as part of the FAA certification test.

Q But as part of the Avco Lycoming test program?

A Yes.

Q And did the engine qualify in that regard?

A Yes.

Q What happened to the engine between June of 1969 and August of 1969 that caused Lycoming to make the statements contained in Exhibit 129?

A We ran into some torsional problems, vibration problems.

Q I thought you said you had also run into cooling problems and fuel consumption problems?

A Yes.

Q Did those problems also arise between June

of 1969 and August of 1969?

A I don't think the problems arose during that time. I think at that time we announced, or informed Piper, that we were having difficulties in solving these problems and we were going to have to take some additional steps in order to solve them.

Q Did Piper tell you what happened with the engine that was delivered in June of 1969?

Did it deliver the 520 horsepower?

A They have no way of knowing that.

Q The only way to tell is in the test cell at Avco Lycoming?

A That is the only way on that engine.

Q Was it reported back to you what had happened with the engine with respect to its deliverance of power to meet FAA requirements for rate of climb?

A I think the engine was having some problems, and in the opinion of Piper it was not getting full power, but, as I recall, it was a maintenance problem, which was solved.

I believe it was dirty injector nozzles.

Q The dynamometer test that you referred to before, does that take into account torsional vibration?

A Yes.

Exhibit 135-A for identification, please.

(Chart marked Chris-Craft Exhibit 135-A for identification, as of this date.)

BY MR. ACKELL:

Q Does that first paragraph refresh your recollection --

A Well, I can read what the first paragraph says and I can relate that first paragraph to this chart.

Q The paragraph in effect says at 47 inches of mercury the engine develops 506 brake power; is that correct?

A That is right.

Q And the Lycoming chart also shows that at 47 inches of mercury it develops 506 brake power; is that correct?

A I can't read it that way, no.

Q How do you read it?

A It looks to me like 500 horsepower.

Q Having reviewed the memorandum and the chart, Mr. Ferris, can you now testify as to the significance of the vertical line placed at 47 on the manifold pressure portion of the graph?

MR. SHIMER: If any.

MR. ACKELL: I assume that all lines on

graphs have some significance.

A That signifies it has 47 inches of manifold pressure.

Q Is there a particular purpose for indicating that particular manifold pressure on that graph?

A I presume so, but I assume it would be to pick out some point for some reason --

Q Is there a manifold pressure tolerance that an engine should not be run past without exerting excess pressure or deteriorating effect --

A If you put too much preasure on any vessel it will explode.

Q Is the practice of Lycoming to test up to any particular level of pressure, manifold pressure?

A A certain manifold pressure? Yes.

Q Is the practice at Lycoming to assign an upper level of tolerance to the manifold pressure?

A Yes.

Q As of the time this test was conducted, do you know if such an upper tolerance had been assigned?

A No.

Q The indication of 47 inches has no significance?

A Not to me, no.

test rating at 520 horsepower normal rating.

Q What is the relationship between takeoff rating and normal rating?

A Well, in Paragraph 3 that is explained as limiting the 520 horsepower to some specific length of time -- one, two, three or five minutes.

Q But not for sustained use at 520?

A Not for continued operation.

Q The refernce to 470 horsepower; is that the normal rating that you were offering at that time?

A We were saying that at that time we could give them a normal continuous rating of 470 horsepower.

Q And that 520 horsepower could only be sustained as a takeoff rating and not as a normal rating; is that right?

MR. SHIMER: I object to the form of the question. You are arguing with the witness.

A We said we were going to certificate the engine for a normal rating of 520 horsepower.

Q 520, sir?

A In Paragraph 2 of the letter.

Q Perhaps you can explain the difference between stating in Paragraph 1 that it is inadvisable to rate it at 520 horsepower, normal, and your

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DEPOSITION OF WALTER C. JAMOUNEAU TAKEN ON APRIL 11, 1969

of discussion on this point.

Q Who raised the question?

A I can't answer that.

Q Was there any discussion in the few days immediately preceding January 25th about the question of whether the corporation should not have an executive committee?

A Not that I can recall, no.

Q Then, who raised it at the January 25th meeting?

A I would say that the president of the company suggested that an executive committee be appointed.

Q Did he give any reasons?

A Well, the reason being that we had been advised that Chris-Craft Industries were mounting an effort to elect members to the board of directors which might prove successful.

Q What was the relationship between the fact that certain of the directors might be persons affiliated with Chris-Craft and the need for an executive committee?

A Well, it was not known at that time, of course, how many members of the board Chris-Craft might be successful in electing, and there was a problem that, if the board should have been constituted in such a fashion, that you couldn't transact business, it would be necessary for the continuity of operations of the corporation to have some group which could function.

Q In what manner would the board be constituted so that it could not transact business?

A I would say if there was a deadlock, in other words, equal numbers of representatives on each representing two different -- or, two different factions.

Q You were anticipating at least the possibility, of the eight directors, four might be so-called Chris-Craft directors?

A No; I didn't say that. See, I don't think you are ever sure who is going to be elected to the board of directors prior to the meeting.

Q I realize that. You are saying that was at least a possibility that eventually might materialize?

A That persons, let us say, hostile to the encumbent management might be elected.

Q Did you anticipate that the newly formed executive committee would carry out functions that theretofore had been carried out by the board of directors?

A Yes; I think this was contemplated.

Q Since January 25th, has the executive committee in fact been functioning?

A Yes; in the same fashion it had prior to January 25th.

Q What do you mean by that?

A As I mentioned earlier, what I chose to call a

Q Are you including Mr. Greene in that?

A By approval I would mean by votes of those present.

Q Was Mr. Greene consulted on the telephone with respect to the matters to be voted on?

MR. WICKENHAVER: Mr. Jamouneau, I think you have already stated the matters approved there were the United States Concrete Pipe matters. Therefore, I will instruct you you are not to answer any further questions regarding it.

BY MR. STRAUBER:

Q After the letter of January 27th was mailed to shareholders, did Piper take any further steps in order to block the Chris-Craft tender offer?

A Well, several letters were sent to shareholders subsequent to that, and I would assume they would all have the purpose of encouraging shareholders to restrain themselves from tendering.

Q Several letters were sent subsequent to January 27th?

A Yes.

Q Were these form letters sent to certain shareholders?

A Sent to all shareholders.

Q When were they sent?

A I couldn't recite the dates offhand, but they were pretty closely spaced.

Q Do you remember the substance of those letters?

A No; I wouldn't want to attempt to reconstruct them from memory.

Q How many letters were sent?

MR. WICKENHAVER: We will, I think, be prepared to produce them all among the material we will have Monday, if you would rather wait until then, rather than have Mr. Jamouneau attempt to remember whether there were one, two, three, four, or five. I believe that all of those are included in the material we have gathered so far.

BY MR. STRAUBER:

Q These letters were sent to all Piper shareholders?

A Yes; they were. I assume Chris-Craft received them.

MR. WICKENHAVER: They were probably sent to the record shareholders. I don't know that I can make that statement, I'm not sure.

BY MR. STRAUBER:

Q What else did Piper do to block this Chris-Craft offer, other than sending out these additional letters?

A That is all I can recall, any positive action to tend to negate the effect of the tender offer.

Q How about positive action intended to block the

ADDITIONAL PAGES OF DEPOSITIONS SUBMITTED BY PIPER

Q In what manner would the board be constituted so that it could not transact business?

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A Yes; I think this was contemplated.

Q Since January 25th, has the executive committee in fact been functioning?

A Yes; in the same fashion it had prior to January 25th.

Q What do you mean by that?

A As I mentioned earlier, what I chose to call a

management committee had functioned and has continued to function.

Q Does the executive committee invite to its meetings those other persons who were part of the management committee, but are not part of the executive committee?

A The executive committee, as now constituted, has met only one time.

Q When was that?

A That was Monday of this week, April 7th, I guess.

Q What matters were before the committee on that day?

A Well, we --

MR. PENNOYER: Just a minute.

MR. WICKENHAVER: Mr. Jamounneau, what went before the executive committee on Monday of this week, I have taken the position, which counsel for Chris-Craft, does not agree with, that matters relating to the recent transactions involving United States Concrete Pipe or Southply are not germane to this inquiry. This complaint and counterclaim relates solely to matters which took place prior to the convening of the annual meeting of February 4th. So, questions as to what the executive committee did in April are clearly beyond the range of the issues. So, I would advise you that you are not to answer those questions.

PLAINTIFF'S

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DEPOSITION OF THE FIRST BOSTON CORPORATION BY JOHN H. LAERI, JR. TAKEN ON JUNE 10, 1969

Q As you defined it in the press release was issued?

A I would have to read the press release.

Q Did you see a press release that was issued May 8th?

A Yes, sir, I did.

Q Was it submitted to you for approval?

A It was submitted to me for my comments on May 8th, that is correct.

Q Did you give the Bangor Punta Corporation permission to use the name of First Boston in this press release?

A That is correct.

Q Did you check with anybody at First Boston before you authorized them to use your name?

A Yes, sir.

Q With whom did you check?

A Mr. Paul L. Miller.

Q Did you check with anybody else?

A No, sir.

Q Are you familiar with Rule 135 of the Securities & Exchange Commission at the time that this release was issued?

A I am not familiar with the details of the

Q Do you read the Wall Street Journal?

A Yes, sir.

Q Had you been following a battle for control of Goodrich Tire Company involving Northwest Industries, Inc.?

A I am certainly familiar that there is a battle going on, yes, sir.

Q Had you read anything about some sanctions which the Securities & Exchange Commission had invoked against Northwest Industries for something known as "gun-jumping"?

A No, sir. I may have read it, but I don't recollect.

Q Are you familiar with the term "gun-jumping"?

A Yes, sir.

Q When did you hear this term?

A I heard it later on in discussions up at Bangor Punta relevant to the SEC action.

Q But you did not hear it before?

A I have heard the expression for many years, frankly.

Q Had you ever participated in the issuance of a press release before in which you stated First Boston's value of securities?

A I don't remember participating in a press release where the wording was comparable to that one.

important to issue a press release which would refer to a value in excess of what the value of the Chris-Craft offer was?

A No, sir, not that I was aware of.

Q Was there any discussion --

A Can I finish answering the other question?

Q Yes.

A There was discussion that there was a contractual arrangement between Bangor Punta and Piper, and the feeling was that this contractual obligation should be disclosed.

Q Who expressed that view?

A I think several people expressed it at the meeting on May 8th. The lawyers discussed this at the meeting on May 8th.

MR. COLLINS: I will object to that answer.

Q Who else discussed it?

A I really don't remember who else discussed it. I can't remember whether I participated in it, frankly, other than to approve the inclusion of the name of First Boston.

Q When you asked Mr. Miller to confirm the use of First Boston's name, did you read him the entire release?

A Yes, sir, I did.

Q Did he make any comments?

A He may have made some minor comments, but nothing of substance and I don't recall now what they were, but this is normal operating procedure. I have to clear, as an officer of First Boston, the use of our name in any press release.

Q Did either you or Mr. Miller make any changes in the draft of the press release?

A Certainly no changes in substance.

Q Do you remember any changes at all?

A. I remember that there were some minor grammatical changes. There were no changes in substance that we recommended.

Q Was there any discussion between you and Mr. Miller about the fact that this was the first time that First Boston had ever permitted its name to be used in connection with putting a value on a proposed exchange offer?

A No, sir, there was no discussion whatsoever on this

Q Was there any discussion about what your possible liability might be in that connection?

A No, sir, none whatsoever.

Q You didn't raise the question?

A No, sir.

PLAINTIFF'S

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DEPOSITION OF THE FIRST BOSTON CORPORATION BY

PAUL L. MILLER TAKEN ON JULY 10, 1969

at First Boston Corporation?

A I am in charge of the underwriting activities, which covers the whole field of underwriting and financial advisory work with corporations.

Q Can you tell me what the relationship is between the First Boston Corporation and the Piper Aircraft Corporation?

A The relationship is one of an historical client of First Boston. We have in the past handled a common stock issue and a private placement of debt for Piper Aircraft.

Q Is First Boston Corporation also acting for the Piper family?

A We have been asked to in connection with the recent activities, yes, sir, which were really family questions, yes.

There is no formal definition of any relationship, either with the corporation or with the family, but we have sort of assumed it on both sides.

Q Were you asked to act for the Piper Aircraft Corporation and/or the family in January of 1969?

A Yes.

Q What were you asked to do?

A We were asked to meet with them without any real

definition of an assignment.

Q When you met with them, were you asked to do something?

A You are speaking in general terms, and we were asked to advise and hold their hands. At that time it was the corporation.

Q Were you asked to express an opinion on a cash tender offer being made by Chris-Craft?

A I think the corporation had an opinion pretty much already at that point.

Q Did First Boston Corporation ever express an opinion to the Piper Corporation that the cash tender offer of Chris-Craft was inadequate in price?

A I don't think I remember, to tell you the truth. I think we had to relate this throughout to what alternatives were available.

Q Well, did the Piper family say that they wanted some alternative other than Chris-Craft?

A Yes.

Q And so --

A The corporation said it.

Q You were dealing in a situation, namely they didn't want Chris-Craft?

A That is correct.

Q When you said the corporation said it, who acted as the spokesman for the corporation?

A The family members acted as spokesmen.

Q And --

A And others.

Q When you say "others," do you mean Mr. Jamouneau and Mr. Poole?

A That is correct.

Q Was there anybody else connected with the Piper Aircraft Corporation who expressed to you the view that they did not want to be affiliated with Chris-Craft?

A There was a financial officer, whose name I don't remember, under Mr. Poole.

Q Was it Mr. Stickley?

A Yes.

Q Did the First Boston Corporation make any attempt at the time of the Chris-Craft cash tender offer to determine whether the price of $65 a share was an adequate price?

A Make an attempt to determine? We certainly developed an internal opinion.

Q And what was that internal opinion?

A That the interests of the public shareholders could only be served by acceptance of that, unless a better

alternative was available. 454

Q I take it that --

A It is a different question than the family shareholders.

Q When you say that it is a different question than the family shareholders, you mean the family might have an interest that was different from the public shareholders?

A They were principals, and they could make their own minds up.

Q Mr. Miller, I take it that First Boston Corporation then did seek other alternatives for the Piper Aircraft Corporation?

A That is correct.

Q And among the companies that it spoke to was the Bangor Punta Corporation?

A That is correct.

Q Did you have anything to do with the initial contact between First Boston Corporation and Bangor Punta Corporation?

A No, I did not.

Q Did you suggest Bangor Punta as a combination possibility to anybody at either Piper or First Boston?

A I did not originate the suggestion. I approved it.

the opinion?

A Yes.

Q Did you tell him that First Boston Corporation could?

A Yes, I think we jointly arrived at the conclusion that we could.

Q Could you tell me what your understanding is of the term "value" as it is used in the agreement?

What are you intending to do?

A We are intending to create, as of the date the transaction commences, a distributed -- a distributed market value of not less than $80 per share.

Q Could you amplify on that?

A The intent of my use of the word "distributed" is that we believe, that is, that we are charged with arriving at an opinion relating to a price at which such securities, whatever they may be, would trade in normal transactions.

Q On the day of the exchange offer?

A On the date the exchange offer commences, the day you price them in effect.

Q Who will make this value judgment?

A This will be made by a number of people in the First Boston Corporation, comprising technical and

stated or not?

A No.

Q Who will?

A I don't believe anyone was. The persons who have the final say in matters of this kind are those who are most entitled to an opinion, and it is a group judgment;to run this outfit to where I impose my judgment on those who deal daily in the markets and those that are more familiar with the transaction's technical details than I,would be pretty poor procedure.

Q Would it be fair to say that it is your intent in making this value judgment to use your best judgment to see to it that shareholders of Piper who accept the exchange offer will be able to resell the Bangor Punta securities at $80 or better?

A No.

Q And why is that statement inaccurate?

MR. BARRETT: I object to that.

That question has already been asked and answered.

MR. LIMAN: No, it has not.

MR. BARRETT: At the very beginning of your examination.

MR. LIMAN: I understand your views.

MR. ARNING: I will let him answer it once more.

THE WITNESS: Shall I answer it once more?

BY MR. LIMAN:

Q Why is the statement inaccurate?

A We are dealing with securities markets and the time at which the securities are received by the shareholders and available for sale, should they wish to sell them, at a time considerably removed from the date which our opinion was given, so the value can be materially above or below $80, if we were perfect in our judgment.

Q In fixing the value as of a particular date, will you be taking into account your opinion of market changes in the period intervening between the date of your opinion and the date the people will actually receive their shares?

A No.

Q Has First Boston Corporation ever acted in any other transaction in the same capacity that it is acting in connection with this agreement between the Piper family and Bangor Punta?

A In the same capacity is a pretty broad statement.

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DEPOSITION OF THE FIRST BOSTON CORPORATION BY

PAUL L. MILLER TAKEN ON FEBRUARY 4, 1970

Q What did Mr. Siegel do to make that apparent to you?

A By being clear that there was no flexibility in his plan and by the context of advising the management of Piper only on the day or the day prior to the actual formal tender offer.

Q During this period, was an increase in the Piper dividend considered by First Boston Corporation?

A By First Boston Corporation?

Q As a recommendation to Piper?

A I think it is safe to say that all alternatives that anyone concerned could think of were at least considered.

Q What alternatives did you think of, Mr. Miller, if you recall?

MR. ARNING: Are we still talking about this same time period?

MR. ACKELL: Yes.

MR. SHIMER: May I ask what time period we are talking about?

MR. ARNING: January 23rd to January 28, 1969.

A As an individual, although many alternatives were suggested, I did not believe that any alternative short of an offer from a responsible party, at least equivalent in value to the Chris-Craft tender, would be fair to the

shareholders and thus, a practical alternative.

Q It was your opinion that the Chris-Craft offer was a fair one?

A It was our view that the price offered was fair; that the conditions attached thereto were unsatisfactory, principally in the characteristic of not being available to more than 300,000 shares.

Q Was it your opinion that $65 was a fair price to a tendering shareholder of Piper?

A To an individual tendering shareholder, yes.

Q Did you convey that to Mr. Piper?

A Yes.

Q During the period that we are referring to?

A Yes.

Q Was the possibility of staggered directors discussed with Mr. Piper?

A I think I should point out on the record that a great number of people were involved and a great number of suggestions were made, many of which I considered untenable or unwise. I am sure that staggered directorships was one of them.

Q Who, in addition to you and Mr. Bayard, became involved in the Piper matter at First Boston Corporation?

A Limited to this time period?

mentioned on this exhibit was a known block we knew about.

Q Who was Paul Revere?

A That is a life insurance company owned by Avco Corporation.

Q How did you find out that Paul Revere had this block?

A It is a matter of public record. Whether we found it out by looking in a book or whether somebody from Piper management told us, I don't know.

Q You did not restrict yourself to public sources in trying to find out where the blocks were, did you?

A It would -- normally we would restrict ourselves, because we would not have access to information and would have quite a bit of reluctance to inquire about the business of people who might well be clients of First Boston, such as Oppenheimer.

If someone asked us about blocks of stock, we would not tell them. So normally we would have a reluctance to ask others about information that is not available.

Q You had access to the Piper stockholders list, did you not?

A Yes, we did.

Q And weren't there discussions prior to May 1st,

about the fact that Fund of Funds had a position in Piper?

A I don't think we knew it. I don't know when we got to know it, but we didn't know it in the early stages, certainly.

Q I am not asking you whether you knew it as a fact, but did you hear that assertion made that Fund of Funds had a block of Piper?

MR. RYAN: I object to the form. When?

Q Prior to May 1st.

A I do not know.

Q Mr. Miller, there came a time when you learned that Bangor Punta had picked up a block of stock from Fund of Funds?

A No, I believe -- I learned that much more recently, but in this area of time right up to midsummer, I do not think I knew that this was purported to be Fund of Funds stock.

We knew of blocks in the hands of houses -- we came to know of blocks in the hands of houses such as Oppenheimer and Lipper, as noted here, who are active in many controversial situations, and frequently collect arbitrage stock and that sort of thing.

Q How did you come to know that Lipper had a block?

A I related to you where I got my information.

Q From Mr. Laeri?

A That is correct.

Q Do you know whether Lipper sold any stock to Bangor Punta?

A Well, I have since learned that Bangor Punta purchased shares and I don't think I still know exactly who sold.

Q I am asking you whether you ever heard that Lipper was a seller.

A I am just not sure.

Q Oppenheimer?

A I don't know which one or whether it was both. I just have no information.

Q Have you heard that Oppenheimer was a seller?

A I am not specific on who sold blocks or where the blocks were purchased from.

Q Do you know what happened to the Paul Revere stock?

A No.

Q Did you ever suggest to Mr. Piper that he speak to the Paul Revere people?

A Well, to be responsive to your question, Paul Revere's stock at a very early stage, probably in

February, made itself known to the Piper management as friendly stock, not to us.

Q In fact, the Piper family --

A And we simply told them to sit still.

Q You told --

A We told the Pipers to tell them to sit still until the situation developed.

Q You say Paul Revere is owned or controlled by Avco?

A Yes.

Q Is Avco also a company that controls Lycoming Engine?

A Yes.

Q You understand that Lycoming was a supplier of engines to Piper?

A Yes. I was aware that the Paul Revere stock made itself known to the Pipers and said they would stand by, in effect, for any suggestions that were made, and the suggestion we recommended was that they continue just to stand still and see what developed.

Q Can you recall any other blocks that made themselves known to the Pipers as friendly at any time?

A No, I don't.

Q Paul Revere stands out?

read after the letter went out

A I assume I did.

I will revise that: Yes, I have seen it now, certainly.

Q Did you see it before now?

A I think probably.

Q Did you say anything to Mr. Piper, Jr., when you saw that sentence?

A I don't recall.

Q Did you remind Mr. Piper, Jr., that you had told him that $65 was a fair price?

MR. SHIMER: I object to the form of that question.

I would agree that the offer is inadequate, unrelated to price.

Q Your understanding of this letter is that the inadequacy was unrelated to price?

MR. RYAN: Objection to the form.

A We were not the drafters of that letter. My then opinion and my present opinion is that the offer was inadequate.

Q In what sense?

A It was not available to all shareholders.

Q By that, you mean it was limited to a certain

A Non-family. Because there are all gradations of family relationships, and there was what came to be a defined group which Mr. Piper, Jr. collected at one point, 500 odd thousand shares, that I refer to as the "family stock."

Q When did that come to be a defined group?

A Again, it happened several times.

There was this initial discussion which got nowhere, of a defined group selling or giving an option to Grumman, and at that point there was a commencement of a definition of this group, a specific definition, almost immediately abandoned, and then when the Bangor Punta proposal was made, the group was specifically defined and put in writing as to the group that was committed to sell their shares to Bangor Punta.

So that that period extends from the March area and then a lapse into the period of July, I guess, when the Bangor Punta transaction was active.

Q Do you know whether the Piper family bought any stock after Chris-Craft made its interest in Piper known?

MR. RYAN: Would you repeat that question, please?

Q Do you know whether the Piper family bought

number of shares, although made to all shareholders?

A That is what I mean.

I have stated that incorrectly twice, now.

Q Is that a reason why a shareholder should not tender for that price?

MR. RYAN: I object to the form.

A In my present opinion?

Q Yes.

A A decision on the part of any individual shareholder is based on many factors on which I could not express an opinion.

Q At the time this letter was sent, did you then have an opinion?

A As to the shareholders as a group?

Q No, as individuals.

A Perhaps I could review by stating what my view is.

The offer, overall, is inadequate in its characteristic of being limited to a minority of the total shares outstanding.

The price contained in the tender offer was and remains, in my view, a fair price, as a measurement of the value of the Piper entity at that time.

I subsequently stated by "fair," I meant fairly high.

ADDITIONAL PAGES OF DEPOSITIONS SUBMITTED BY PIPER

responsibility hardened during this period with regard to Piper?

MR. SHIMER: I object to the form of that question.

Q What was First Boston's responsibility in the Piper defense?

MR. RYAN: I object to the form of the question.

A First Boston's responsibilities are defined by First Boston, not by its clients, and our responsibilities were to see that the interests of the public shareholders were appropriately dealt with.

Consistent with that public responsibility, our desire was to assist the management of Piper in attaining its objectives.

Q I show you a copy of a letter dated January 27, 1969, from Piper to its shareholders.

MR. ACKELL: I ask that it be marked Exhibit 17.

(Photostatic copy of letter on letterhead of Piper Aircraft Corporation, dated January 27, 1969 was marked Chris-Craft Exhibit 17 for identification, as of this date.)

Q Were the interests of the public shareholders of Piper appropriately dealt with by that letter?

MR. ARNING: I object to that question as

calling for a conclusion.

Q Did you see that letter before it was sent out?

A I doubt it. It was sent out on Monday. I doubt if I saw it before it went out.

Q Do you know if First Boston Corporation was consulted before it went out?

MR. ARNING: You mean consulted generally or consulted with respect to the letter?

MR. ACKELL: Consulted with respect to the substance of the letter.

A I believe we know that a letter had been recommended to Piper's management. I believe we concurred in the recommendation that communication be had with the shareholders.

I do not believe we were consulted in any detail on the form of the letter.

Q Do you recall whether First Boston Corporation was told that the letter contained or would contain the statement, "Your board of directors has carefully studied this offer and is convinced that it is inadequate and not in the best interests of Piper's shareholders"?

A I don't recall any consultation on any specific sentence.

Q Did you see that sentence that I just

read after the letter went out

A I assume I did.

I will revise that: Yes, I have seen it now, certainly.

Q Did you see it before now?

A I think probably.

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I don't recall.

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DEPOSITION OF HOWARD PIPER TAKEN ON APRIL 15, 1969

the corporation which would not have on it any members that would be hostile to the present management?

A I'm sure that was one of the considerations.

Q Was that the primary consideration?

A I have no idea what the primary consideration.

Q Your primary consideration?

A No; certainly not.

Q What was your primary consideration?

A I would say it was a matter of having, as I said previously, a committee that could act expeditiously, rather than having to wait for the full board to be present.

Q Was this the first time that Piper had ever created such an executive committee?

A To the best of my knowledge.

Q When did you first learn that Chris-Craft was offering to purchase Piper shares from the public?

A January 23rd.

Q How did you learn that?

A Mr. Siegel called and told my brother Bill this.

Q How did you first learn about this?

A Through the conversation from Mr. Siegel to my brother.

Q Your brother told you about it?

A We discussed it subsequently.

Q Did he tell you about this on the 23rd of January?

A Yes.

Q Do you recall what time of day Mr. Siegel called --

A No.

Q -- your brother?

A No; I don't.

Q Do you recall if it was morning or afternoon?

A No.

Q What did your brother tell you in reporting to you on that conversation?

A We just discussed the fact that Chris-Craft had said that they had picked up 200,000 shares of stock and were going to tender for another 300,000 and wanted to get together and discuss the situation.

Q Do you know what your brother said to Mr. Siegel in response to his request for a talk or a meeting?

A No; not specifically. I believe he said -- I don't know what he said, frankly, I just don't know.

Q What did your brother do? Did he say he thought it was a good idea and you all ought to sit down and talk to Mr. Siegel?

A No; we had no intentions of wanting to talk to Mr. Siegel. We weren't the least bit interested in getting together with an organization like that, and he certainly wouldn't say he thought it was a good idea.

Q Was that your reaction and your brother's reaction initially on the 23rd of January, what you just said?

A Certainly, I think that would have been any one of our executives' reaction.

Q As of January 23rd, what did you know about Chris-Craft?

A Very little. We paid no attention to them whatever except we knew they manufactured boats and had an operation at Pompano, that is all.

Q You just said your reaction on the 23rd was, "We were not the least bit interested in talking to an organization like that." What did you mean by that?

A I meant like an organization that would call you up and say, "We are going to take you over." We don't care to do business like that.

Q On January 23rd you had no detailed knowledge of Chris-Craft as a corporation?

A No.

Q Your reaction was based on not wanting to do business with someone who approached you --

A With a raider, that is right.

Q Had Chris-Craft or anyone on its behalf approached Piper prior to January 23rd?

A Not that I know of.

ADDITIONAL PAGES OF DEPOSITIONS SUBMITTED BY PIPER

Q Would you tell us why it is that your initial reaction was that you did not want to do business with a corporation that you considered to be a raider?

A I should think, Mr. Strauber, it would be pretty obvious that any operation that feels that its been functioning very satisfactorily would bristle when an organization says, "I'm sorry, but we're going to take you over," and that is exactly what happened in our case. We were just not interested in being approached on a basis like that.

Q Did Mr. Siegel, on the 23rd of January, tell your brother the basis on which Chris-Craft would offer to purchase shares?

A I don't believe so.

Q Did it occur to you on the 23rd that the Chris-Craft offer, although coming from a corporation you describe as a raider, might be in the best interests of your shareholders?

A We certainly considered that. It wouldn't be period.

Q Even if you didn't know exactly what the offer would be?

A That is right.

Q Was it your feeling then that no offer which came from that type of an organization could be in the best

interests of your shareholders?

A We didn't give it that much consideration yet.

Q But, you had reached a judgment right at the outset, hadn't you?

A A preliminary judgement.

Q After reaching this preliminary judgment in your conversation with your brother on the 23rd, did you take any further steps to learn more about the character of Chris-Craft?

A Yes; we did.

Q What did you do?

A We --

MR. WICKENHAVER: Is this question addressed now as to what did this witness do, or what did the company do?

MR. STRAUBER: That is a good reply.

BY MR. STRAUBER:

Q Tell me, if you would, what the company did.

A I'm sure we made a great many steps. One would be to obtain their annual statement and examine it. Another would be to talk to our financial advisors in New York City and anyone else that we thought could offer information on the subject.

Q Anything else?

A I'm sure there were a number of other steps that a person or a company would take in a situation like that to

BY MR. STRAUBER:

Q That is right.

A I can't answer that, the same answer applies. There were too many, it was too long, and it's all too run together.

Q Did you personally make any effort to determine whether the offer that Chris-Craft had made to your shareholders, Piper shareholders, was a good offer for those shareholders?

A This is a matter of judgment on the basis -- perhaps collective judgment on the basis of individuals involved. You look at their offer that they presented with their tender, and you considered what their financial statement looks like, you get the opinion of others as to what kind of an organization the Chris-Craft group is, and you consider the approach that they made to the company, and as a result of all these factors, you reach a conclusion. The conclusion was their offer was not in the best interests of the stockholders.

Q Now, what I want to know is, who did you talk to in reaching that conclusion?

A Mr. Strauber, I have said about five times there have been so many people we talked to that it would be impossible to recount who it was specifically that entered into this conversation.

Q When you say you get an opinion of others as to

our auditing firm. That would be --

Q Arthur Young?

A Yes; in the Arthur Young firm it's Don Fennely, Jerry Lloyd, possibly some others.

Q Did you talk to anyone else in an effort to find out something about Chris-Craft?

A I'm sure we did, but I don't recollect which persons it might be.

Q Did you talk to any commercial bankers?

A I didn't.

Q You did not?

A No.

Q Did you write any letters to anybody in an effort to get information?

A I didn't.

Q Did any information which you received in respect to the Chris-Craft offer come to you in written form, letters and memoranda?

MR. WICKENHAVER: Do you mean just letters, or any written form?

MR. STRAUBER: Any written form.

BY MR. STRAUBER:

Q Did you see any written information relating to Chris-Craft?

A Their annual statement and, no doubt, a number o

statements from investment advisory organizations like Value Line, for example, on this subject, and no letters that I can recollect.

Q As to the people, the names you have given me are the best of your recollection as of the moment of all the people outside the company?

A I told you many times there are many people, and I don't recollect the people we discussed this with.

Q The names you have given me are the only names you can recall now as to people outside the company you talked to?

A I'm sure that is not the case. I talked, for example, to the editor of our local newspaper who would come to me and say, "What do you know about that," and this sort of thing that goes on with hundreds of people most likely that you would talk to.

Q Can you recall any other names of the moment?

A What is the point of that? Excuse me for getting a little bit annoyed. To tell you I talked to the editor of the local newspaper, and perhaps a guy that plays golf at the country club, is there any sense in that?

Q Yes; there is. If you can recall it, we are entitled to the information.

A I'm sorry, I can't recollect specifically.

MR. WICKENHAVER: I think the proper scope of

I believe their second tender offer.

Q The registration that was filed with the Commission in connection with the tender offer that has not been made yet?

A Yes.

Q You said earlier that, on January 23rd, you and your brother, W. T. Piper, Jr., reached a tentative decision that you were not interested in the Chris-Craft offer. When was that decision finalized?

A A specific date on something like that would be impossible to give. I don't know the answer to that. In the course of discussions over the subsequent days, why we merely came to a firm conclusion that we didn't want to be acquired in this manner.

Q What were the reasons, each of the reasons, that led you to that firm conclusion?

A To the conclusion that we didn't want to be acquired by Chris-Craft?

Q Yes.

A I already have given you the reasons: First that we thought that a -- that would not be in the best interests of the stockholders, and secondly, we were not interested in being associated with an organization that did business that way.

Q Anything else?

A There are, no doubt, minor related reasons, but those are the basic reasons.

Q What were the minor related reasons?

A I'm sure there were a good many of them that would occur to you in the course of consideration of the problem, but --

Q I understand that, but what were those reasons?

A I don't think it's practical to try to outline reasons of this nature, because they don't come to mind as they would while discussing this sort of thing, you see.

Q Can you recall any of them now?

A Not specifically.

Q Was one of your reasons in opposing the Chris-Craft tender offer the fact that you and other members of your family did not want to give up your control of the company that the family had built?

A Certainly I would suspect, I would be sure that is a consideration that you would have. You would feel that the organization could be disrupted very badly by a group of people that come in to take over a business that they know do/nothing about, and we felt that the organization had been going very satisfactorily as it had existed, and we certainly wouldn't want it disrupted, whether members of the family or whoever would be involved.

Q You certainly didn't want a group of outsiders

who never had anything to do with the company come in and take over your company?

A That is right.

Q Are there any additional reasons that you can now think of that now come to mind that formed the basis of your rejecting the Chris-Craft tender offer?

A They are related to the two basic reasons, but one of the major considerations is that we felt that their financial handling of the organization might be such to bring disaster on the corporation, just as had been done in other cases where people from an outside industry, who didn't know anything about it, came in and tried to run an aircraft organization, which is a specialized sort of thing, and tended to run the business in a disasterous sort of way, and that is a major consideration.

Q What specific aircraft companies do you have in mind?

A I am thinking of the Aero Commander Company particularly, although there have been a number of them.

Q Who took over Aero Commander?

A It has gone through several hands. There was one time -- there was one of the Pew family, later was taken over by a couple of contractors whose names I don't recollect, and then it was taken over by the Rockwell Company, and finally North American Can, who merged with Rockwell, and it is now

part of the North American Rockwell Company. The contracting family were by the name of Amos, I believe. That was many years ago.

Q Prior to reaching this firm decision to oppose the Chris-Craft tender offer, did anyone on behalf of Piper ever discuss or have any discussions with the management of Chris-Craft?

A Of course, there was the initial discussion on the telephone --

Q Yes.

A -- with Mr. Siegel, and secondly, there was a discussion at an office in New York between the principals of Chris-Craft and my brother Bill, Mr. Pool and our investment bankers.

Q Did anyone tell you what was discussed there?

A I understand this was a very brief meeting where Chris-Craft people were asked whether they had anything new to offer, other than the fact that they were going to take over the organization, and they said something to the effect that they thought this would be a good combination, and our people said, "Is this all you have to add? That isn't anything new." Then the meeting terminated. This is my understanding of the way the meeting went.

Q At that meeting did anyone on behalf of Piper raise the question of how Chris-Craft would propose to manage

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DEPOSITION OF PIPER AIRCRAFT CORPORATION BY W.T. PIPER, JR.

TAKEN ON MAY 23, 1969

or three weeks and up to two or three months. We knew that it was going to be, using your phrase, thirty - sixty days sometime down the line.

Q Was there discussion of this on May 8th?

A I don't think so.

Q Was there discussion of the fact that Bangor might have to wait for clearance from the Federal Trade Commission before becoming effective on the exchange offer?

A Not that I recall.

Q I will get back to the question of whether you were told on May 8th or before that how First Boston computed the value of the common stock, warrants and convertible debentures being offered to the family.

A I don't know. First Boston are financial consultants, and if Jack comes up with a price on what he thinks a package of securities is worth, we would take his opinion without trying to ask questions.

Q I understand that you rely on First Boston for investment advice?

A That is correct.

Q You said that you would take his advice without asking questions.

My question to you is: Did you question him

Q You read this May 8th agreement before it was signed, is that correct?

A Yes.

Q Did you see a draft of it before it was put in its final form and signed?

A Yes.

Q When did you first see a draft of this agreement?

A We worked on it the day before.

Q Was a draft shown to you the day before?

A It certainly must have been. We were working on an agreement between the family and Bangor, and whether I saw a completed draft, with all corrections made, amended, in its final form, prior to May 8th, I don't know; but we certainly saw drafts of the agreement.

Q I direct your attention to page 12 of this agreement, and I will read a sentence to you:

"As a part of such best efforts, Bangor Punta will take all steps necessary to make a further exchange offer to all holders of Piper common stock other than the sellers, under which such holders will be entitled to exchange each share of Piper common stock held by them for Bangor Punta securities and/or cash, having a value, in the written opinion of The First

Boston Corporation, of $80 or more."

Was that language in the draft which you saw on May 7th?

MR. PENNOYER: If you recall.

A I certainly don't recall whether it was or not.

Q You recall reading this in the agreement that was signed on May 8th?

A That's right.

Q And you regarded this as an important provision of this agreement?

A All provisions in this agreement were important.

Q And this is no more important than the others?

A It is all part of the agreement.

Q Can you tell me what you understood the word "value" in that sentence to mean?

A Well, it would be a value of the securities which First Boston would exchange with shareholders --

Q Bangor would exchange?

A Bangor would exchange with shareholders -- which, in the opinion of First Boston on that date, would have a value of $80.

Q I asked you what the word "value" meant, as you understood it.

A When you ask me what is the value of a stock, I

find it a little difficult for me to say, particularly if it happens to be a bond or some sophisticated type of paper; so, in any case, where there is some question in my mind, I would pick up the phone and say to First Boston, "What is the value of this paper?"

Q I understand that you relied on First Boston.

A That is correct.

Q My question was what you understood the word "value" to mean.

Did you mean book value?

A I would go to Laeri or to First Boston and say, "What is the value of this package which Bangor Punta is going to exchange to our shareholders?" And he would say, "80 or more," if that happened to be the case. And what he uses for value I don't know. I am quite sure it would not be book value, because book value and stock values vary a great deal.

I would say that it would be the value of the securities at that time.

Q Is it fair to say that you understood the term to mean the amount which a shareholder could expect to realize in selling the securities on that date?

MR. PENNOYER: Objection.

Q Did you understand the word "value" to mean

the resale price of the securities?

A Arthur, I have no way of knowing what First Boston means when they say "value." For instance, if you ask me what is the value of Piper stock today and I think the quoted market is 66, I would tell you I think it is worth a great deal more than $66; that is in my opinion. How First Boston values warrants, a $15 debenture and common stocks, I don't know.

Q Was it your intent, in entering into this agreement and including this provision in it, to make sure, as best you could, that Piper shareholders would receive securities which they could sell for $80 per share on Piper?

A That they would be worth $80.

Q Do you draw a distinction between what could be sold for $80 per Piper share and "worth"?

A I think there is a distinction. In my mind there is. As I say, with our own common stock, today, to me, it is worth a great deal more than $66.

Q It closed today at 65 or 66 on the New York Stock Exchange, so, as I understand your testimony, you would consider the provision of this agreement satisfied if First Boston gave an opinion that the Bangor Punta securities were worth at least $80 a share, even if the

securities could not be resold for $80 a share, because the current market price was then down?

I would like it read back, because I want to see if you understand the question.

A I understand the question very, very clearly.

The only way I can answer is, if First Boston says that package is worth $80, I will take their word for it that it is worth $80.

Q And First Boston's opinion would satisfy the intent of this agreement, as you understood it, even if the market price of the security would not yield $80 on that day?

A Yes.

Q How long have you been dealing with First Boston?

A I will estimate 25 years.

Q For whom was First Boston acting in connection with this May 8th agreement?

A I would think Piper Aircraft.

Q Did you ever ask them to act as broker or agent for the family in selling the family stock?

A I don't think so.

Q Did First Boston ever tell you that they expected to be compensated by the family for this service

A No.

Q Or Bangor Punta Corporation?

A No.

Q Did you ever say to First Boston Corporation or Bangor Punta or any of their representatives that you would like to have less warrants and more common stock in this package?

A Not that I recall.

Q Did you ever ask First Boston Corporation or Bangor Punta to change the composition of this package to the family?

A Not I, personally.

Q Did anybody?

A Not to my knowledge.

Q When you say "Not I, personally" --

A You asked me if I had, and my answer is no.

Q Before you signed this May 8th agreement and before it was reduced to writing, had you asked Mr. Laeri to try to get a certain amount of money for the family stock?

A No.

Q Did Mr. Laeri conduct the negotiations for the family in connection with this May 8th agreement?

A Mr. Laeri and our planning department were the

ones that conducted the negotiations with the Bangor organization for the company, which included the family, and the family.

Q Did you tell the negotiators what price the family wanted for its stock?

A No.

Q Was there any discussion among the family as to what it wanted for its stock, before May 8th?

A I am sure there must have been discussions, but I don't recall what the prices were or the terms or the details of the discussion.

Q Was there any discussion, on or before the time that this May 8th agreement was signed, that the family wanted registered stock and securities that it would be free to sell?

THE WITNESS: Would you repeat that.

(The pending question was read by the reporter as above recorded.)

A I don't think so. I don't recall any.

Q Are you familiar with the term "investment letter stock"?

A "Investment letter stock"?

Q Yes.

A No.

But we have discussed the possibility of merger over a period of the last two or three years with some larger company, feeling that the day was going to come when we might have to do it from an economic standpoint; and we weren't quite prepared to be pushed into it quite so soon, but Chris-Craft's precipitous action stirred us in this direction a little earlier than we cared to.

But we talked to anybody, that, had it not been for the raid by these characters, we would probably be still independent or we would probably be still talking about a potential merger farther down the line.

Q Do you feel that Chris-Craft pushed you into the agreement with Bangor Punta?

A They pushed us into action which we possibly would not otherwise have taken.

Q This action being the agreement with Bangor Punta?

A Not only with Bangor Punta, but, since January 23rd, all the necessary or unnecessary, as the case may be, time that we have spent other than doing what we should be doing in running an aircraft business.

Q Including the Southply and U. S. Concrete

Pipe and the Grumman transactions?

A Including that; that's it.

Q Did there come a time when you were told that Bangor Punta was willing to explore an arrangement with Piper only if the Piper Family were willing to sell its shares unconditionally to Bangor Punta?

A I don't recall that we ever had that statement put to us that particular way, but we know that no company is going to want to explore the possibility of a merger with Piper unless the family will agree to go along, because, after all, it is a block of stock and, if we didn't, it would be hopeless.

So we automatically assume that, whether it is Bangor or anybody else who wants to merge with Piper, that they are going to want to have the support of our block of stock.

Q Did you understand when you entered into the May 8th agreement that you were agreeing to sell the family stock to Bangor even if Bangor was unsuccessful in getting 51 per cent of Piper stock?

A Yes, that is correct.

Q When was the first time that you were told that Bangor insisted on having an agreement by the Piper Family to sell its shares, irrespective of

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Q Did you participate in any meetings?

A Yes.

Q What was the first meeting you participated in?

A There again, I'm not certain of the date, but it was a meeting discussing the possibility of a merger between Grumman and Piper. We had discussed in our minds what the desirability was from Piper's standpoint, and I think this, of course, was subsequent to the initial contact.

So that, Grumman had evidently discussed among themselves the desirability from their standpoint, and I believe the investment bankers for both sides were involved in the discussions as to the possibility of a financial fit to such a merger.

Q Do you [illegible]?

A No; I don't.

Q Was this meeting that you attended before January 27th or after?

A I believe it was before January 27th.

Q How was the price at which Grumman was to buy 300,000 shares of Piper determined?

A I believe this was determined by the market at the time.

Q And, what price was arrived at?

A $65.00.

Q In your judgment, was that an adequate and fair

price?

A In my judgment it rested on the advice of our investment bankers.

Q Which was what?

A First Boston Corporation.

Q What was the advice?

A $65.00 was an equitable price.

Q And, when did you receive that advice from your investment bankers, or when did Piper receive that advice from the investment bankers?

A I'm not sure of the date.

Q But, that was before January 27th?

A I believe so.

Q Who on behalf of your investment bankers communicated that advice to Piper? Did Mr. Miller?

A I'm not sure. It was either Mr. Miller or Mr. Bayard.

Q Was that oral or in writing?

A Originally it was probably oral. In the minutes it was completed in agreement. I would consider it as being in writing.

Q It was placed in the agreement between Grumman and Piper?

A Yes.

Q Did this agreement also state that Piper's

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A That is correct.

Q -- and you had additional reasons why management would oppose a Chris-Craft takeover, but they weren't relevant to the problem discussed in this letter?

A That is correct.

Q Why was this letter sent?

A I think the letter was sent to raise pertinent points in the minds of the stockholders so that they could have some point at least on which to base whether the $65.00 was an adequate price.

Q Wasn't the purpose of this letter to thwart a Chris-Craft takeover?

A Only within the bounds of being truthful with the stockholders as to the value of this price.

Q Your purpose in sending the letter was to discourage shareholders from selling their shares so Chris-Craft wouldn't be able to take over the corporation?

A That is correct.

Q At the bottom of the letter Mr. Piper states, at the very last, "If I can be of further assistance to you, please do not hesitate to call me collect," and it gives a telephone number.

Was any procedure set up to receive those calls, or were they to go directly to Mr. Piper?

A I know of no procedure being set up, other than